

News Release

Farm Credit Administration
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FCA Board Adopts Proposed Rule Governing Effective Interest Rate Disclosures

McLEAN, Va., May 14, 2009 — The Farm Credit Administration (FCA) Board today adopted a proposed rule that governs the disclosures a qualified lender must make to a borrower when the borrower's interest rate is directly tied to a widely publicized external index.

According to the proposed rule, at the time the loan is made, a qualified lender would be required to disclose how and where the borrower could track changes to the index and how changes to the index are reflected in the borrower's interest rate. This change would amend section 617.7130 of FCA's regulations.

The proposed rule would also require a qualified lender to provide subsequent rate changes no later than the borrower's first regularly scheduled billing statement after the effective date of the change. This would amend section 617.7135 of FCA's regulations.

Currently, qualified lenders must provide written notification of interest rate changes to borrowers with external index loans within 45 days of the change. The proposed rule would allow lenders to include this notification with the billing statement.

The proposed rule will be published in the Federal Register for a 60-day comment period. Comments for the proposed rule may be submitted by electronic mail to reg-comm@fca.gov, through the Pending Regulations section of FCA's Web site at www.fca.gov, or through the federal government Web portal at www.regulations.gov. Comments also may be sent by mail to Gary K. Van Meter, Deputy Director, Office of Regulatory Policy, Farm Credit Administration, 1501 Farm Credit Drive, McLean, VA 22102-5090. The public may read submitted comments at the FCA office in McLean, Virginia, or on FCA's Web site at www.fca.gov.

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Report on Mission-Related Investments and Investments in Rural America Pilot Program

In other business, the FCA Board received a report on the status of the Farm Credit System's (FCS's or System's) mission-related investments and FCA's Investments in Rural America pilot program. At December 31, 2008, FCS institutions held mission-related investments totaling \$4.9 billion, with 90.6 percent of this volume guaranteed by the U.S. government or government-sponsored enterprises. FCS institutions held \$2.9 billion in mission-related investments under statutory and regulatory authorities, including \$1.5 billion in Federal Agricultural Mortgage Corporation agricultural mortgage-backed securities, \$772 million in tobacco buyout successor-in-interest contracts, and \$647 million in asset-backed and agricultural equipment securities.

FCA's Investments in Rural America pilot program provides additional opportunities for mission-related investments. It gives FCS institutions greater flexibility to partner with agriculture and rural lenders in making investments in rural communities, particularly at a time when financial markets have tightened. The investments are used to improve infrastructure and quality of life and to stimulate economic growth and development in rural America.

Under the Investments in Rural America pilot program, FCS institutions held investments totaling \$2.0 billion at year-end 2008, including \$1.5 billion in rural housing mortgage securities, \$361 million in rural development debt securities, \$130 million in agribusiness investments and credit linked agricultural notes, and \$3 million in equity investments.

Reports by the Office of Management Services and the Office of Examination

The Board also heard two quarterly reports, one by the Office of Management Services (OMS) and one by the Office of Examination (OE).

The OMS report discussed the Agency's budget status through March 31, 2009, and provided an update on the FCA Human Capital Plan and a demonstration of communication technology. The demonstration included highlights of actions FCA is taking to reduce its carbon footprint. Management also provided an overview of the part of the Continuity of Operations Plan that addresses pandemic disease.

The OE report discussed the financial condition and performance of the FCS. According to the report, the FCS remains financially strong and continued to meet significant credit demands during 2008. Total loans increased by 13 percent from the prior year-end. Also, its capital levels remain strong overall. Despite a much more difficult funding environment, the System has been able to meet its funding needs.

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However, the global recession and stress in certain sectors, such as ethanol, poultry, livestock, and dairy, have caused deterioration in the System's asset quality. The FCS entered this challenging economic environment in sound financial condition. Although its asset quality is weakening, as one might expect during stressful times, most asset quality measures were at historically high levels at the onset of the downturn.

During the closed session of today's Board meeting, OE staff provided the Board with an update on its oversight activities.

Notational Votes

Since the FCA Board meeting on April 16, two notational votes have occurred. Notational votes are actions taken by the FCA Board between Board meetings.

On April 22, the FCA Board approved a resolution to require that System institutions assign a 20 percent risk-weighting to securities purchased under the Debt Guarantee Program of the Federal Deposit Insurance Corporation's (FDIC's) Temporary Liquidity Guarantee Program. The Board took this action to support the position of, and to promote consistent treatment of assets held by financial institutions regulated by, the FDIC and the other federal banking agencies.

On May 5, the FCA Board authorized the FCS Building Association to renew the lease for FCA's Dallas Field Office in Irving, Texas, for a period of 60 months, beginning on September 1, 2009.

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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 102 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.