

News Release

Farm Credit Administration
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FCA Board Approves Interagency Questions and Answers on Flood Insurance

McLEAN, Va., April 16, 2009 — The Farm Credit Administration (FCA) Board today approved a Notice and Request for Comment on a document titled “Loans in Areas Having Special Flood Hazards; Interagency Questions and Answers Regarding Flood Insurance.”

The document is the result of a collaborative effort by FCA and five other federal financial institution regulatory agencies: the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the National Credit Union Administration. The purpose of the document is to help lending institutions and borrowers better understand the flood insurance statutes, regulations, and Federal Emergency Management Agency guidance.

As part of this interagency collaboration, FCA has approved the document containing the questions and answers. Publication of the document in the Federal Register is contingent upon the approval of the other regulatory agencies. More information will be provided at that time.

Reports

In other business, the FCA Board received a report from staff in the Office of Regulatory Policy on the recession in the general economy and the impact it is having on the agricultural sector.

The credit crisis and economic downturn has generally not impacted the agricultural sector of the economy as significantly as it has affected the overall economy. Although agricultural lenders are tightening some credit practices, credit continues to be available at reasonable rates to agricultural producers from both Farm Credit System (FCS or System) lenders and commercial banks.

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The System, which raises funds for its lending activities by selling debt securities, has been affected by the challenging financial market environment. Although the System has been able to raise the funds it needs, its flexibility in debt issuance, especially with regard to longer-term maturities, has been reduced.

Other factors in the general economy that have had an impact on the agricultural sector include the rising unemployment rate and the loss of off-farm jobs, which provide an important source of income for farm families, and the stronger dollar and the worldwide recession, which have contributed to reduced export demand and lower commodity prices. Overall, the U.S. Department of Agriculture estimates that net cash farm income in 2009 will be down 17 percent from 2008, but this comes after several years of strong farm income. While farmland prices have been relatively stable, concern is growing that lower commodity prices and farm income will weaken land prices.

The Board also heard a report by Cherry, Bekaert & Holland, the independent auditing firm that recently completed an audit of the financial statements of the FCS Building Association (FCSBA). The FCSBA received an unqualified opinion for the year ending December 31, 2008. The auditors noted no unusual issues pertaining to the financial statements and management practices.

Closed Session

During the closed session, the Board received a quarterly report from the Office of Secondary Market Oversight.

Notational Vote

Since the FCA Board meeting on March 12, one notational vote has occurred. Notational votes are actions taken by the FCA Board between Board meetings.

On April 2, the FCA Board issued the booklet, "Use of State-Chartered Business Entities to Hold Acquired Property." The booklet clarifies that FCA will not object if a System institution forms or acquires an interest in a limited-liability company (LLC) or other state-chartered business entity for the limited purpose of (1) making credit bids at a foreclosure sale or other court-approved auction of collateral for loans the System institution has made that are in default, or (2) holding and managing acquired property to minimize losses, protect the property's value, and limit potential liability. The booklet also outlines actions that a System institution must take if it does acquire an interest in an LLC or other state-chartered business entity.

This booklet is available in the Bookletters database on the FCA Web site. Go to www.fca.gov, click the Law and Regulations tab, then click Additional Guidance.

Bookletters are documents issued by an agency official that communicate FCA's legal interpretations and the agency's position on specific issues.

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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.