News Release

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FCA Board Approves Final Rule on Disclosure and Accounting Requirements, Receives Report on Young, Beginning, and Small Farmer Lending

McLEAN, Va., June 11, 2009 — The Farm Credit Administration (FCA) Board today approved a final rule to amend FCA regulations on disclosure to shareholders and accounting and reporting requirements. The final rule will ensure that FCA regulations are consistent with Farm Credit System (System) structural changes and that they include changes in accounting, auditing, and reporting standards.

The rule, which was proposed on November 24, 2008, and remained open for comment for 60 days, amends parts 619, 620, and 621 of the FCA regulations. The amendments affect references to accounting terminology, requirements for the content of the annual report to shareholders, requirements for filing quarterly reports to shareholders, and requirements for maintaining an allowance for loan losses.

This 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.

Report on Young, Beginning, and Small Farmer Mission Performance

In other business, the Board received a report on the 2008 performance of the System in meeting its congressional mandate to provide constructive credit and related services to young, beginning, and small (YBS) farmers and ranchers. YBS lending and reporting are a special focus area established for the System and FCA by the Farm Credit Act of 1971, as amended.

In calendar year 2008, lending by the System to YBS producers continued to show solid gains despite the shrinking percentages of YBS producers nationwide. These gains demonstrate the System's success in serving this market segment.

The number of loans made during 2008 to young farmers (i.e., those aged 35 and younger) increased by 4.6 percent from 2007, and the dollar volume of loans made increased by 22.1 percent.

The number of loans made in 2008 to beginning farmers (i.e., those with 10 years or fewer of farming experience) increased by 3.7 percent from 2007, and the dollar volume of loans made to beginning farmers increased by 15.1 percent from 2007.

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Although the growth in the numbers of loans to young and beginning farmers was slower in 2008 than in 2007, the growth in the dollar volume of loans made to young and beginning farmers was greater. The increase in the volume growth resulted in part from an increase in average loan size.

The number of loans made during 2008 to small farmers (i.e., those with gross annual sales of less than $250,000) declined by 2.8 percent from 2007. However, the dollar volume of loans made to small farmers increased by 9.5 percent.

One of the factors contributing to these increases in lending volume is the System's growing use of "credit enhancements" for YBS borrowers. Approximately 50 associations used special YBS underwriting standards, and about one-third of all associations are now providing interest rate or fee reductions for qualifying YBS borrowers.

In 2007, FCA issued guidance permitting more flexibility in extending credit to qualifying YBS borrowers. As a result of this guidance, many associations revised their YBS policies or procedures in 2008, or reported plans to do so in 2009. According to Leland A. Strom, FCA Chairman and CEO, "this indicates that FCA's oversight activities are accomplishing the goal of helping institution management and boards stay focused on this important mission area."

For more information about the System's YBS lending activity in 2008 and its YBS lending trends over the past eight years, see the fact sheet attached to this release. Also see "Serving Young, Beginning, and Small Farmers and Ranchers" in the 2008 FCA Annual Report on the Farm Credit System, which will soon be available on the FCA Web site, or see the YBS Farmer/Rancher Lending page on the FCA Web site.

Report by the Office of Secondary Market Oversight

During the closed session of today's Board meeting, staff from the Office of Secondary Market Oversight, responsible for examining and overseeing the Federal Agricultural Mortgage Corporation (Farmer Mac), provided a quarterly report.

Notational Votes

Since the FCA Board meeting on May 14, five notational votes have occurred. Notational votes are actions taken by the FCA Board between Board meetings.

1. On May 14, the FCA Board voted to extend the comment period on the director elections proposed rule an additional 60 days (until August 14, 2009).
2. On May 28, the FCA Board approved the Bookletter, "Financing Agricultural Land in Transition (in the Path of Development) – Eligibility and Scope of Financing Considerations." The Bookletter provides guidance to System institutions for ensuring compliance with the eligibility and scope of financing regulations when loan funds will be used to purchase or refinance land in transition (i.e., agricultural land that lies in the path of development).
3. On the same date, the Board concluded that no regulatory action currently in the FCA Unified Regulatory Agenda meets the definition of a "significant regulatory action" as defined by executive order 12866; therefore, FCA is not required to submit a regulatory plan to the Office of Information and Regulatory Affairs.

4. Also on May 28, the FCA Board approved a proposed rule to implement the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (S.A.F.E. Act). The proposed rule would require most System institution employees who act as residential mortgage loan originators to register with the Nationwide Mortgage Licensing System and Registry (Registry) and to obtain a unique identifier. The proposed rule also would require System institutions that originate residential mortgages to ensure that their employees who act as residential mortgage loan originators comply with the requirements of the S.A.F.E. Act and its implementing regulations. When the Registry becomes fully operational for federally regulated financial institutions and their employees, consumers will be able to access the Registry for employment and other background information about registered residential mortgage loan originators at System institutions, depository institutions, or their subsidiaries. The rule was proposed jointly by FCA, the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the National Credit Union Administration. The proposed rule was published in the Federal Register on June 9, 2009, and the 30-day comment period will expire on July 9, 2009.
5. On June 9, the FCA Board authorized CoBank, ACB, and the Farm Credit Leasing Services Corporation to increase their investment in FarmStart, LLP, from $500,000 to $2 million. The FCA Board further authorized the two institutions to make additional investments in FarmStart, LLP, up to a total investment of $10 million, without further FCA Board approval.

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