**News Release**

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# FCA Board Approves Final Rule on Lending and Leasing Limits and Final Rule on Loans Purchased from FDIC

McLEAN, Va., May 12, 2011 — The Farm Credit Administration (FCA or agency) Board today approved two final rules—one on lending and leasing limits and risk management and the other on the purchase of loans from the Federal Deposit Insurance Corporation (FDIC).

## Final Rule on Lending and Leasing Limits and Risk Management

The FCA Board adopted a final rule to lower the lending and leasing limit on loans and leases to a single borrower or lessee from the current limit of 25 percent of an institution's lending and leasing limit base to no more than 15 percent of the base. The revised limit applies to Farm Credit System (FCS or System) institutions with title I (long-term) and title II (short- and intermediate-term) lending authorities under the Farm Credit Act of 1971, as amended.

The rule also requires System institutions to adopt written policies to measure, limit and monitor exposures to concentration risks caused by the institutions' lending and leasing activities. This requirement applies to title I and II System institutions, as well as to title III institutions (those authorized to make loans to cooperatives).

The rule was proposed in August 2010. As a result of comments received, FCA delayed the effective date of the final rule until July 1, 2012, to give title I and II institutions approximately 12 months to comply with the 15 percent lending and leasing limit and to give title I, II, and III institutions approximately 12 months to adopt loan and lease concentration risk mitigation policies. In addition, to address concerns that the proposed rule did not adequately specify which risks should be measured, the final rule clarifies that institutions only have to establish quantitative measures "for significant risks that are reasonably foreseeable."

## Final Rule Permitting System Institutions to Purchase Agricultural and Cooperative Loans from the FDIC

In other business, the FCA Board adopted a final rule permitting FCS institutions with direct-lending authority to purchase agricultural and cooperative loans from the FDIC that meet eligibility requirements for System financing. The purpose of the rule is to allow System institutions to provide credit and liquidity to rural areas affected by commercial bank failures. It was developed in response to questions by the FDIC, System institutions, and others as to

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whether System institutions could provide a source of liquidity to borrowers whose operations are financed with agricultural or cooperative loans affected by commercial bank failures.

Currently, except for loan participations and for the pooling and securitizing of loans to sell to the Federal Agricultural Mortgage Corporation, FCA regulations do not permit System institutions to purchase whole loans from non-System institutions.

The proposed rule, which was issued in May 2010, would have allowed System institutions to conduct a preliminary review of loans for eligibility prior to purchase, conduct a more thorough due diligence review after purchase, and then to divest ineligible loans. In response to comments, FCA modified the proposed rule to authorize only the purchase of agricultural loans that are eligible for System financing. Also, the final rule contains a specific reporting requirement for loans purchased from the FDIC.

This final rule will become 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**

During the meeting, the Board received a quarterly report from the Office of Management Services. The report discussed the agency's budget status through March 31, 2011, and provided an update on staffing levels. The report also discussed the annual employee satisfaction survey, the agency's compliance with Homeland Security Presidential Directive 12, the annual information resources management planning call, and the FCA Continuity of Operations program.

**Closed Session**

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

**Notational Votes**

Since the April 14, 2011, FCA Board meeting, one notational vote has occurred. Notational votes are actions taken by the FCA Board between Board meetings.

On May 10, the FCA Board approved a notice with request for comment on revisions to the Interagency Questions and Answers Regarding Flood Insurance. The notice is subject to the approval of the other participating agencies.

**Enforcement Actions Implemented**

On April 20, FCA entered into a supervisory agreement (11-04) with an agricultural credit association that requires the ACA to take actions to address issues identified previously in FCA's examination.

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