



**For Immediate Release**  
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### **FCA Board Approves Advance Notice to Seek Input on Changes to Risk-Based Capital Stress Test**

McLEAN, Va., June 9, 2011 — The Farm Credit Administration (FCA or agency) Board today adopted an advance notice of proposed rulemaking (ANPRM) to request public comments on alternatives to using credit ratings in the Risk-Based Capital Stress Test (RBCST) for the Federal Agricultural Mortgage Corporation (Farmer Mac).

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 requires federal agencies to review all regulatory references to “Nationally Recognized Statistical Ratings Organization” credit ratings and to replace them with other appropriate standards for determining creditworthiness. FCA regulations governing the Farmer Mac stress test include several references to agency credit ratings. As a first step toward complying with this requirement of the Dodd-Frank Act, FCA is requesting input on alternative ways to measure creditworthiness in the RBCST.

Also, consistent with the emphasis the Dodd-Frank Act places on the treatment of counterparty risk posed by derivatives, FCA seeks input on ways to modify the Farmer Mac stress test to reflect counterparty risk posed by Farmer Mac's portfolio of derivatives.

In addition, this ANPRM requests input on how operational and business planning requirements for Farmer Mac might be revised to promote the development of strategies to seek out qualified loans from a diverse group of sources and to provide rural lenders with secondary market programs that serve a diverse array of borrowers, including (a) minorities, women, and persons with disabilities; (b) young, beginning, and small farmers and ranchers; and (c) nontraditional agricultural producers, such as local food systems and organic and specialty crop farmers.

An ANPRM is a preliminary notice published in the Federal Register, announcing that an agency is considering a regulatory action. These notices are used when an agency wishes to gather more information from the public before issuing a notice of proposed rulemaking.

The comment period for this ANPRM is 60 days from the date of publication in the Federal Register.

### **Annual Report on Young, Beginning, and Small Farmer Mission Performance**

In other business, the Board received FCA's 2010 Annual Report on the Farm Credit System's Young, Beginning, and Small Farmer Mission Performance.

According to the report, loans made by the Farm Credit System (System) in calendar year 2010 (including new loans and renewals) to young, beginning, and small (YBS) farmers rose in both number and dollar volume over YBS lending activity in 2009. The volume of loans made was up by 10.3 percent to young farmers, 10.0 percent to small farmers, and 8.6 percent to beginning farmers.

In 2009, new lending activity to YBS farmers was down, as was lending activity in general. When the economy began to recover in 2010, both overall System lending and the System's YBS lending began to grow again. Although the *number* of loans made to each YBS category in relation to the number of loans made by the System overall was down slightly in 2010, loan *dollar volume* to each YBS category in relation to the System's overall dollar volume was more stable.

System associations are required to develop programs to provide sound and constructive credit and related services to YBS farmers and ranchers. The associations use surveys to obtain demographic data for their lending territories and analyze these data to help develop programs appropriate for their territories. Through these programs, many System associations offer lower interest rates and less stringent underwriting standards, such as high loan-to-value ratios or lower debt coverage requirements, to make it easier for potential YBS borrowers to qualify for loans.

### **Office of Examination Semiannual Report**

The Board also received the Semiannual Report on Office of Examination Operations. According to the report, all oversight and examination activities have been completed as planned through the second quarter of FY 2011. As of April 19, FCA examiners had performed onsite activities at 76 percent of all direct-lending System associations and banks.

To ensure it has the human resources to properly examine and oversee institutions in a stressed economy, the Office of Examination also continued to build its examiner workforce.

### **Report on the Condition of the Farm Credit System**

In its quarterly report on the condition of the Farm Credit System, the Office of Examination reported that the System remains fundamentally safe and sound. Its earnings are strong, and it is well capitalized and has reliable access to funding. System asset quality remains satisfactory, and credit quality indicators are steady.

Challenges facing the System include the sluggish general economy and persistent unemployment. Conditions in agriculture are mostly favorable, but analysts are concerned about potential weather developments. If the growing season is affected by drought or floods, crop prices could surge, which would likely hurt livestock, dairy, and ethanol producers.

### **Closed Session**

During the closed session, the Board received a quarterly report on the Office of Examination's supervisory and oversight activities.

**Notational Votes**

Since the May 12, 2011, FCA Board meeting, two notational votes have occurred. Notational votes are actions taken by the FCA Board between Board meetings.

- On May 25, the FCA Board voted to adopt a resolution stating that no regulatory action currently in the agency's Unified Regulatory Agenda meets the definition of a significant regulatory action and therefore the agency is not required to develop a regulatory plan to submit to the Office of Management and Budget's Office of Information and Regulatory Affairs.
- On May 25, the FCA Board voted to approve the agency's Strategic Plan for Fiscal Years 2011–2016. The plan is available on FCA's website at [www.fca.gov](http://www.fca.gov).

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The Farm Credit Administration is the safety and soundness regulator of the cooperative Farm Credit System and the Federal Agricultural Mortgage Corporation (Farmer Mac). FCA charters, regulates, and examines the 96 banks, associations, service corporations and special-purpose entities of the Farm Credit System, which makes loans to agricultural producers and their cooperatives nationwide. This includes Farmer Mac, which provides a secondary market for agricultural real estate loans, rural housing mortgage loans, and certain rural utility loans. Members of the FCA Board are Leland A. Strom, Chairman and CEO; Kenneth A. Spearman; and Jill Long Thompson.

Note: FCA news releases are available on the Web at [www.fca.gov](http://www.fca.gov).