

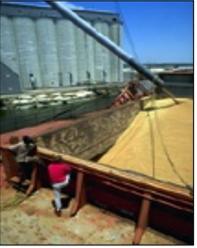


FCA Board Meeting December 2018

Exhibit E

Semi-Annual Report on Office of Examination Operations December 13, 2018

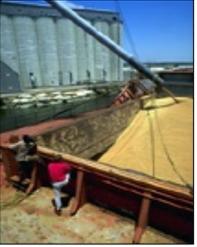
Hal Johnson
Office of Examination





Highlights of OE Operations

- ▶ Operating Plan Objectives
 - Risk Supervision and Examination
 - Operational Efficiency and Effectiveness
 - Human Capital
- ▶ Summary





Risk Supervision & Examination



System Profile as of 9/30/18

73 Lending Institutions

- 4 Funding Banks
- 69 Associations

7 Service Entities

\$335.0 billion	Total Assets
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\$263.6 billion	Gross Loans
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\$4.0 billion	YTD Earnings
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FCS Institution Activities and Guidance

- ▶ Onsite at all 4 funding banks, 64 associations, and a number of other entities.
- ▶ Issued 53 Reports of Examination and 32 Interim Activity Letters
 - Four institutions are under a higher level of supervisory oversight
- ▶ Other supervision and oversight activities
 - Exam Manual Updates and Revisions
 - System Communications
 - External meetings



Supervision & Examination Initiatives

2018 NOP Risk Topics and associated initiatives:

▶ Portfolio Risk – Weathering the Storm

- Credit Guidance
- Automated Lending Systems
- Adherence to Borrower Rights

▶ Internal Controls over Financial Reporting (ICFR)

- Continued emphasis on internal controls with a specific focus on ICFR and audit coverage
- Horizontal Exam Activity (HEA) in progress
- Engaged outside audit firm to evaluate & enhance examination efforts
- Informational Memorandum and Talking Points under development



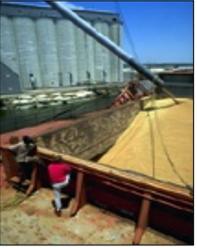


Operational Efficiency & Effectiveness

- ▶ Examination Tools / Ongoing technology initiatives
 - Loan Sampling Tool in Power BI
 - EDGe Loan Workpaper enhancements
 - Onsite connectivity improvements

- ▶ OE budget results

Fiscal Year 2018	Budget	Actual	Variance
Expenditures (\$M)	\$33.2	\$32.5	\$0.7 under
FTE	176.9	173.5	3.4 FTE under





Human Capital Update

- ▶ Implemented revised FCA Examiner Career Development Program
- ▶ Fiscal yearend staffing levels



Total OE Staff

	Planned	Actual	Variance
Beginning FY 2018	171	170	(1)
Attrition/Retirements	(16)	(8)	8
Hirings			
- Associate Examiners	20	11	(9)
- Mid-Career	1	8	7
Ending FY 2018	176	181	5

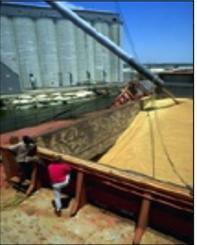
Commissioned Examiners

	Planned	Actual	Variance
Beginning FY 2018	83	83	0
Attrition/Retirements	(7)	(2)	5
Hirings	0	3	3
Newly Commissioned	9	3	(6)
Ending FY 2018	85	87	2



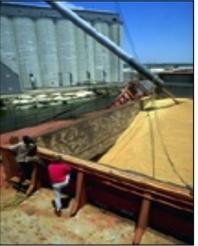
Summary

- ▶ Achieved examination objectives as planned while maintaining a strong onsite risk supervision and oversight presence
- ▶ Completed significant program activities, examination guidance, system communications, and risk analyses as part of accomplishing OE's operating objectives
- ▶ Staffing levels benefited from significant mid-career hiring and lower attrition this year; staff training and developing commissioned examiners remains a priority
- ▶ Accomplished OE operating objectives within approved budget





Discussion



THANK YOU