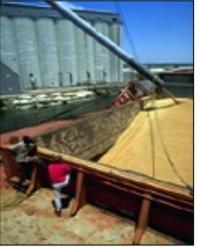




FCA Board Meeting June 2019

Semi-Annual Report on Office of Examination Operations June 13, 2019

Hal Johnson
Sr. Financial Analyst
Office of Examination





OE Operations | Focus Areas



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



Risk Supervision & Examination Activities

System Profile as of 3/31/19

73 Lending Institutions

- 4 Funding Banks
- 69 Associations

7 Service Entities

\$348.7 billion	Total Assets
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\$274.2 billion	Gross Loans
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\$1.3 billion	YTD Earnings
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FCS Institution Activities and Guidance

(through 2nd quarter FY 2019)

- ▶ Conducted onsite activities at all 4 funding banks, 41 associations, and 7 other entities
- ▶ Issued 28 Reports of Examination and 11 Interim Activity Letters
 - Six institutions are under a higher level of supervisory oversight
- ▶ Communications and Guidance issued
 - Internal / external communications
 - Examination manual updates and revisions

Source: FCS Information Statement



Supervision & Examination Initiatives

2019 NOP Risk Topics and Strategies:

▶ **Portfolio Risk | Navigating Rough Waters**

- Credit Guidance (Risk ID & Servicing)
- Bank Oversight
- FCS Credit Scoring Systems
- Stressed Industries

▶ **Internal Controls | Three lines of Defense**

- Internal Controls (Audit)
- ICFR Horizontal Examination Activity Informational Memorandum
- Oversight Talking Points



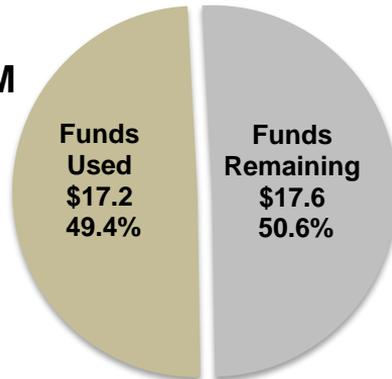


Operational Efficiency & Effectiveness

- ▶ Examination tools | Ongoing technology initiatives
 - EDGe Phase II & III
 - FCS Loan Database and Data Mart
 - Technology use in examinations

- ▶ OE Budget results (Fiscal YTD thru 3/31/19)

**FY 2019 OE
Budget: \$34.8M**



FTEs

Projected Full Year FTEs	183.0
Planned Full Year FTEs	<u>178.4</u>
Variance	4.6





Human Capital Update

- ▶ Post-Commission training
- ▶ Revised Directive 52 competencies
- ▶ Examiner development opportunities
- ▶ Staffing



Total OE Staff	Planned	Projected	Variance
Beginning FY 2019	177	181	4
Attrition Retirements ⁽¹⁾	(16)	(16)	0
Hirings	18	18	0
Ending FY 2019	179	183	4

Commissioned Examiners	Planned	Projected	Variance
Beginning FY 2019	85	87	2
Attrition Retirements	(6)	(6)	0
Hirings	0	0	0
Newly Commissioned	18	10	(8)
Ending FY 2019	97	91	(6)

(1) Fiscal year-to-date through April 30, there have been 8 staff attritions/retirements



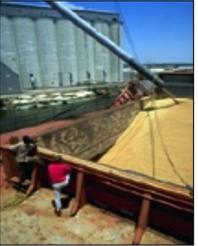
Summary

- ▶ Maintained a strong onsite supervision presence with a continued emphasis on risk-based oversight and examination
- ▶ Development of commissioned examiners remains a priority while ensuring OE has sufficient highly skilled staff to accomplish its mission
- ▶ On target to accomplish 2019 Operating Plan objectives and meet or exceed all Agency performance measures





Discussion



THANK YOU