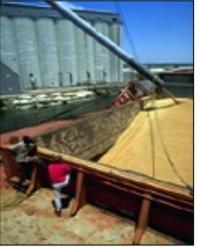




FCA Board Meeting June 2019

Semi-Annual Report on Office of Examination Operations June 11, 2020

Hal Johnson
Sr. Financial Analyst
Office of Examination





OE Operations | Focus Areas

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

- ▶ Summary





Risk Supervision & Examination Activities



System Profile as of 3/31/20

72 Lending Institutions

4 Funding Banks

Asset Size from \$28B to \$158B

68 Associations

Asset Size from \$42M to \$31B

\$387.3
billion

Total Assets

\$292.6
billion

Gross Loans

\$1.4
billion

YTD Earnings

FCS Institution Activities and Guidance

(through 2nd quarter FY 2020)

- ▶ Conducted onsite activities at all 4 funding banks, 45 associations (66%), and 2 other entities
- ▶ Issued 25 Reports of Examination and 7 Interim Activity Letters
 - Five institutions are currently under a higher level of supervisory oversight
- ▶ Communications and Guidance Activities
 - Internal/external communications
 - External meetings and conferences
 - Examination manual updates and revisions

Source: FCS Information Statement



Supervision & Examination Initiatives

2020 NOP Risk Topics and Strategies:

- ▶ **Credit | Lending Controls**
 - Assess institutions' risk identification and lending controls
 - Continued focus on stressed sectors
 - Monitor real estate values, particularly in the Midwest
- ▶ **Internal Audit | Governing the Third Line of Defense**
 - Risk assessment of institutions' internal audit programs
 - Evaluate board and audit committee engagement and oversight
- ▶ **Operational Risk | Cybersecurity and Emerging Threats**
 - Review institutions' IT security controls against cybersecurity risks

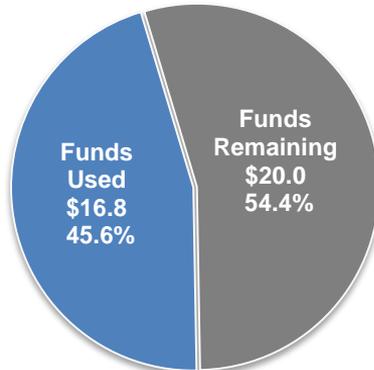




Operational Efficiency & Effectiveness

- ▶ Examination tools | Ongoing technology initiatives
 - EDGe and Management Reporting
 - FCS Loan Database and Tools
- ▶ OE Budget results (Fiscal YTD thru 3/31/20)

FY 2020 OE Budget - \$36.8M



FTEs

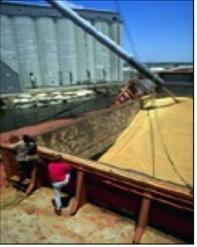
Projected Fiscal Yr.	177.9
Planned Fiscal Yr.	184.8
Under plan	6.9





Human Capital Update

- ▶ Hiring, developing, and retaining Associate Examiners
- ▶ Post-Commission training
- ▶ Staff Development Opportunities
- ▶ Staffing



Total OE Staff

	Planned	Projected	Variance
Beginning FY 2020	184	172	(12)
Attrition Retirements	(16)	(7)	9
Hirings	16	17	1
Ending FY 2020	184	182	(2)

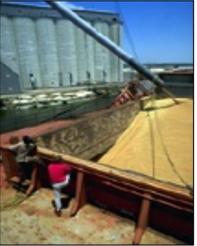
Commissioned Examiners

	Planned	Projected	Variance
Beginning FY 2020	93	94	1
Attrition Retirements	(7)	(3)	4
Newly Commissioned	19	6	(13)
Ending FY 2020	105	97	(8)



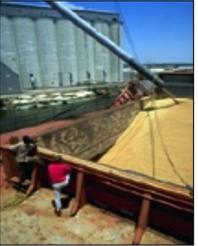
Summary

- ▶ Maintained a strong onsite risk-based examination presence through the 1st half of FY 2020
- ▶ Current conditions have required a pronounced shift in examination approach, staff development, and recruiting
- ▶ Remain focused on ensuring OE has sufficient highly skilled staff to accomplish its mission
- ▶ On target to accomplish 2020 Operating Plan objectives and meet or exceed all Agency performance measures





Discussion



THANK YOU