

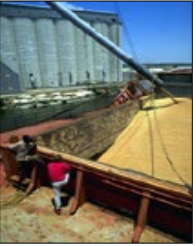


FCA Board Meeting June 2025

Tab 3

Semi-Annual Report on Office of Examination Operations June 12, 2025

Brandon Arnold, AEDE Supervisory Examiner
Tiffany West, EGD Supervisory Examiner
Office of Examination



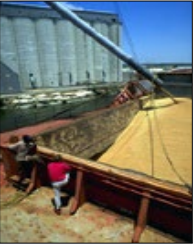


OE Operations Agenda Topics

► Fiscal Year 2025 Operating Plan Objectives

- Risk Supervision and Examination Activities
- Public Mission
- Operational Efficiency and Effectiveness
- Human Capital

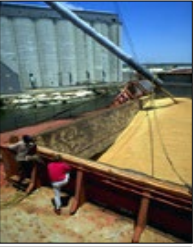
► Office of Examination Budget Results





Risk Supervision & Examination

- ▶ Conducted **onsite** examination and/or oversight activities as planned at 3 funding banks, 32 associations (57%), and 4 other entities
- ▶ Issued 22 reports of examination, 15 interim activity letters, and 39 FIRS Letters
- ▶ Maintained a higher level of supervisory oversight at 1 System institution
- ▶ Issued examination guidance





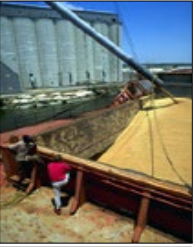
Risk Supervision & Examination (continued)

- ▶ FY2025 National Oversight Plan Focus Areas
 - Sustainability of capitalization practices
 - Innovation through automation and artificial intelligence
 - Mission-focused lending
 - Sound governance
 - Credit and collateral risk exposure
 - Cyber risk management
- ▶ Completed or on target to complete the 7 systemic risk strategies and 1 institution risk strategy





Public Mission



- ▶ Young, Beginning, and Small Farmers (YBS) Final Rule
 - YBS final rule became effective February 1, 2024
 - Examiners will evaluate compliance during select statutory compliance date examinations
 - Worked with ORP on internal and external YBS FAQs
- ▶ YBS Ratings and Data
 - Examiners are currently reviewing non-lending reports and other materials provided by institutions to provide a qualitative rating, due June 30
 - We continue to work internally and with the System to improve usability and consistency of YBS lending and non-lending data



Operational Efficiency and Effectiveness

- ▶ Examination Tool Innovations
 - Continued to enhance the EDGe application and reports
- ▶ OE Operational Process Innovations
 - Continued to modernize OE management reporting and planning processes by transitioning reports to PowerBI
- ▶ FCS Loan Database Improvements
 - Continued to work with the System to add new data fields and assess and improve data reliability
- ▶ Further Automate FCA's GIS Processes





Human Capital



- ▶ We will not meet hiring and retention targets for FY 25
 - The Deferred Resignation Program (DRP) and the hiring freeze impacted our plans.
 - We lost 15 staff to the DRP and are projecting an attrition rate of 12% by fiscal yearend.
 - We onboarded 9 associate examiners instead of the 14 initially hired. We were also not able to complete all planned mid-career hiring.
- ▶ We are on target to complete strategies related to training, development, and knowledge transfer



Human Capital (continued)

- ▶ We are expecting to be significantly below targets on total staff and commissioned examiners at fiscal yearend 2025

Total OE Staff

Total OE Staff	Planned	Actual	Variance
Beginning FY 2025	189	186	(3)
Attrition Retirements	(18)	(23)	(5)
Hirings	18	15	(3)
Ending FY 2025	189	178	(11)

Commissioned Examiners

Commissioned Examiners	Planned	Actual	Variance
Beginning FY 2025	85	83	(2)
Attrition Retirements	(8)	(10)	(2)
Promotion to EMT	(1)	(1)	0
Hirings	3	1	(2)
Newly Commissioned	10	11	1
Ending FY 2025	89	84	(5)

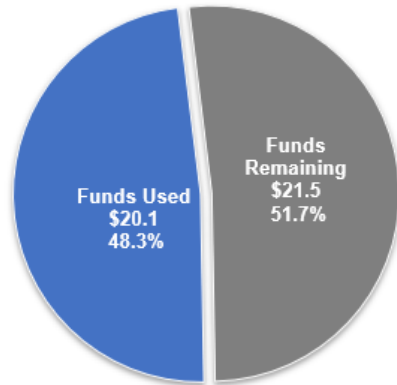


OE Budget Results

► Fiscal YTD as of 3/31/2025

- Actual expenses were in line with our adjusted budget
- Full Time Equivalents (FTEs) are above budget due to the DRP

FY 2025 OE Budget
As of 3/31/2025



FTEs	
◆ Projected Full Year FTE's	189.33
◆ Budgeted Full Year FTE's	187.02
<hr/>	
Budget Variance	2.31



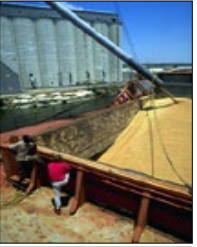
Summary

- ▶ Effectively conducted examination and oversight activities through the 1st half of FY 2025
- ▶ On target to complete FY 2025 Operating Plan objectives
- ▶ Focusing on ensuring OE has sufficient highly skilled staff to accomplish our mission
- ▶ Adjusting work scope due to reduced staff numbers
- ▶ Actively managing our budget under the continuing resolution





Discussion



THANK YOU