

# Farm Credit Administration Strategic Plan

April 2018

---



***Fiscal Years 2018–2023***

# Table of Contents

- I. Introduction ..... 1
  - A. Who We Are..... 1
  - B. Whom We Regulate ..... 1
  - C. How We Regulate ..... 2
  - D. What We Do..... 2
    - Our Basic Functions ..... 2
    - Supporting Our Basic Functions..... 3
- II. Mission Statement ..... 3
- III. Guiding Principles ..... 3
- IV. Assumptions..... 4
  - A. Agricultural Market Factors..... 4
  - B. General Economic Factors ..... 5
  - C. Government Policy Factors..... 6
  - D. Farm Credit System Factors ..... 6
  - E. Agency Factors..... 7
- V. Agency Goals..... 8
  - Goal I: Ensure that the FCS and Farmer Mac fulfill their public missions for agriculture and rural areas. ...9
  - Goal II: Evaluate risk and provide timely and proactive oversight to ensure the safety and soundness of the System and Farmer Mac..... 11
  - Goal III: Cultivate an environment that fosters a well-trained, motivated, and diverse staff while providing an effective plan for leadership succession..... 13
- VI. Agency Performance Measures ..... 15

## **I. Introduction**

### **A. Who We Are**

The Farm Credit Administration is the independent federal agency responsible for regulating and examining the Farm Credit System (FCS or System) and the Federal Agricultural Mortgage Corporation (Farmer Mac), the nation's two government-sponsored enterprises (GSEs) serving agriculture and rural America.<sup>1</sup>

FCA is also required by law to examine the National Consumer Cooperative Bank. This bank, which is not part of the FCS, operates as a federally chartered, privately owned banking corporation. We also provide contract examination services to the U.S. Department of Agriculture (USDA).

Our agency is directed by a full-time, three-person board. Members are appointed by the president with the advice and consent of the U.S. Senate. The president designates one of the members as chairman of the board; this individual also serves as the chief executive officer of the agency. FCA Board members serve as the board of directors for the Farm Credit System Insurance Corporation (FCSIC); however, the FCA Board chairman may not serve as chairman of the FCSIC Board.

Our agency is funded through assessments on institutions we regulate and examine, and we receive no federal appropriation of tax dollars in the execution of our mission. The U.S. Senate Committee on Agriculture, Nutrition, and Forestry and the U.S. House of Representatives Committee on Agriculture oversee FCA as well as the FCS and Farmer Mac.

### **B. Whom We Regulate**

The System is a network of borrower-owned cooperative financial institutions and affiliated service organizations; it serves all 50 states and the Commonwealth of Puerto Rico. It is the oldest of the GSEs.

As stated in the Farm Credit Act of 1971, as amended, Congress established the System to improve "the income and well-being of American farmers and ranchers by furnishing sound, adequate, and constructive credit and closely related services to them, their cooperatives, and to selected farm-related businesses necessary for efficient farm operations."

System banks fund their affiliated associations and "other financing institutions," which in turn lend to farmers, ranchers, producers and harvesters of aquatic products, farm-related service businesses, and rural homeowners.<sup>2</sup> In addition, the Farm Credit Act authorizes the banks for

---

<sup>1</sup> Although Farmer Mac is a federally chartered institution of the System, we discuss Farmer Mac and the System as separate entities in this document because Farmer Mac has a unique GSE mission with a significantly different role than that of the System's banks and associations.

<sup>2</sup> Section 1.7 of the Farm Credit Act authorizes System bank funding of other financing institutions.

cooperatives and agricultural credit banks to finance farmer cooperatives; rural electric, telecommunications, and water and waste disposal utilities; and the import and export of agricultural commodities.

Farmer Mac is America's secondary market for first mortgage agricultural real estate, rural utility and USDA-guaranteed loans.<sup>3</sup> It provides wholesale financing and credit enhancements for agricultural and rural utility lenders. By purchasing qualified loans from primary lenders, it replenishes the funds of these lenders, enabling them to make more loans.

Farmer Mac funds its activities by issuing debt or securities backed by pools of loans and selling them into the capital markets. This allows Farmer Mac to facilitate the flow of lendable money from Wall Street to rural America and to provide a stable supply of mortgage credit to lenders and borrowers.

## C. How We Regulate

As an arm's length regulator, we execute our safety and soundness oversight with impartiality. Our decisions must be independent of undue influence, favoritism, or special access so that all parties coming before the agency are treated equally. We are committed to objectivity and evenhandedness in all our actions.

## D. What We Do

### ***Our Basic Functions***

As the safety and soundness and mission regulator of the System and Farmer Mac, we have two basic functions:

- **Issuing Regulations and Implementing Public Policy.** FCA enacts regulations and establishes policies that interpret and apply the Farm Credit Act and other laws applicable to the System and Farmer Mac. We also review and take action on applications by System institutions for corporate changes, such as mergers, consolidations, re-affiliations, liquidations, other System restructurings, and the formation of service corporations and unincorporated business entities. We also consider related service applications.
- **Identifying Risk and Taking Corrective Action.** FCA examines all System institutions (associations, banks, service corporations, and the Federal Farm Credit Banks Funding Corporation) and the National Consumer Cooperative Bank at least once every 18 months, and we examine Farmer Mac annually. Our examination and oversight program for System institutions is risk-based, concentrating resources on institutions with the greatest complexity or risk exposure. We have authority to take enforcement actions against a regulated institution (i.e., any institution of the System or Farmer Mac) and any of its directors, officers, employees, or agents if the institution or individual violates statutes or regulations or operates in an unsafe or unsound manner. Enforcement actions can result in

---

<sup>3</sup> Farmer Mac has statutory authority to operate a secondary market for rural home loans that meet certain criteria, but it currently does not exercise that authority.

written agreements; orders to cease and desist; civil money penalties; and orders of removal, suspension, or prohibition.

### ***Supporting Our Basic Functions***

Achieving our mission depends largely on our people, practices, and technology. Therefore, the people who work for and with FCA are a strategic priority. We will continue to invest in hiring, developing, and retaining a talented and diverse workforce and to provide employees with the resources they need to be highly effective. We strive to keep our work environment positive, innovative, diverse, and family-friendly, and we encourage teamwork, mentoring, skill growth, and high productivity.

Our employees support our two basic functions by performing their duties in an effective and efficient manner. These duties include the following:

- Examining institutions for risks associated with capital, assets, management, earnings, liquidity and sensitivity
- Analyzing the need for, and impact of, policy and regulatory changes
- Planning and budgeting over the long term
- Providing pertinent information to the federal executive branch, Congress, the institutions we regulate, and the public
- Providing legal counsel
- Performing economic and financial analyses
- Managing and securing information technology and data systems
- Managing people and the programs that support them

## **II. Mission Statement**

The Farm Credit Administration ensures that System institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America.

## **III. Guiding Principles**

- In recognition of our role as an arm’s length financial regulator, we are committed to the highest standards of ethics, impartiality, fairness, and open government as we carry out our functions, powers, and duties.<sup>4</sup> We also recognize that we add value to all stakeholders by placing the safety and soundness of the System and Farmer Mac foremost in our decisions and actions.

---

<sup>4</sup> FCA Board Policy Statement “FCA-PS-81 Ethics, Independence, Arm's-Length Role, Ex Parte Communications and Open Government” adopted November 7, 2011.

- FCA will operate in a manner that is both effective and efficient. We will continue to balance the costs required to operate the agency against the benefits we provide to our stakeholders. We will never compromise safety and soundness.
- The people who work for and with FCA are a strategic priority. We will continue to invest in hiring, developing, and retaining a talented, diverse workforce and to provide employees with the tools they need to be highly effective. Our human capital, technology, and financial plans provide us with the resources we need to be an effective and trusted regulator. We will strive to keep our work environment positive, innovative, diverse, and family-friendly, and to encourage teamwork and high productivity.
- FCA maintains open, flexible, and appropriate communication with our constituencies. Strong communication ensures that we remain well informed about the System and Farmer Mac, and that we understand the agricultural sectors, marketplaces, and rural communities they serve, as well as the relevant financial markets and investors.
- We will only access and use data that are necessary to accomplish our safety and soundness and public policy objectives. We will exercise maximum caution and take all reasonable steps to protect any confidential, proprietary, or personal information that comes into our use or possession.
- Consistent with the System’s cooperative structure, FCA will continue to promote strong governance, high ethical standards of conduct, and local control through our examination and regulatory activities.
- FCA understands the System’s and Farmer Mac’s public missions as GSEs, and we will ensure that both the System and Farmer Mac serve their public missions to agriculture and rural America.
- We will continue to promote inclusion among FCA employees. We also recognize that diversity within each System institution’s customer-owner base and its workforce is critical to the institution’s future success.

## **IV. Assumptions**

We will continually monitor the following factors and refine actions necessary to achieve strategic objectives.

### **A. Agricultural Market Factors**

1. The agricultural economy is likely to experience a period of adversity over the next few years. Lower grain and oilseed prices are causing declines in farm income, and lower farm incomes and higher interest rates are contributing to a correction in farmland values in the Midwest.
2. Grain and oilseed prices will continue to be low relative to the peak period from 2010 to 2012. Weather events and global trade developments will create price volatility.
3. Grain and oilseed producers will face several years of tight profit margins. Many producers will fail to cover their annual production costs unless they make significant operational adjustments.
4. The protein and dairy sectors will continue to experience cycles of profitability and loss as producers respond to market signals.

5. The financial health of the timber industry is largely driven by housing starts which have been rising steadily since the end of the recession. The timber sector is likely to fare well until the next recession, which will likely be accompanied by a downturn in the housing industry.
6. Rural power loans have grown in importance in the System portfolio. It is likely that there will be continued growth in this segment as power cooperatives replace aging infrastructure in coming years.
7. A correction in Midwest farmland values is currently taking place and will likely continue over the next several years because of relatively weak farm incomes and slowly rising interest rates. Economists do not expect a 1980s-type correction although values could decline over the next several years by an additional 10 to 15 percent in some regions. Farmland values in other parts of the country will be less volatile.
8. Ranchland values in cow-calf regions, after showing strength due to very good profits in 2014 and 2015, have weakened as feeder cattle prices declined and cow-calf profit margins eroded to near breakeven levels. Ranchland values will continue to decline for the next few years.
9. Urban agriculture, organic farming, and food hubs, while constituting a small part of the agriculture industry, will continue to grow. This trend may increase the need for credit programs to support the direct-to-consumer business model.
10. Young, beginning, and small (YBS) farmers and ranchers will find the economic environment especially challenging over the next few years because of their limited balance sheet strength and low profitability in many sectors of the farm economy. Among the hardest hit may be those YBS producers who lease land.
11. Weather conditions may have an adverse impact on agricultural conditions. Drought and water rights may affect planting decisions and collateral values, particularly in the West.
12. Conservation, environmental, food safety, public health, and animal welfare are among the many issues that will influence decision makers in agriculture.
13. Greater diversity in the U.S. population will increase diversity in agriculture and among System borrowers.
14. A growing global population will place greater demands on the food supply. Agricultural exports and trade relationships will be vital to the industry. China will continue to have a large impact on global demand for agricultural commodities.
15. Labor shortages may intensify in coming years depending on the direction taken by the country's immigration policy. Several farm industries may be affected including fruit, vegetables, dairy, poultry and livestock.
16. The changing use of data in agriculture will foster innovation and improve operational awareness and efficiencies.

## **B. General Economic Factors**

1. Interest rates, while currently at historic lows, will likely rise slowly over the next few years.
2. The exchange value of the dollar will likely remain high relative to the currencies of our

trading partners and competitors, making it more difficult to compete in agricultural export markets.

3. Barring significant adverse events, the System and Farmer Mac will continue to have access to the capital markets at favorable rates.
4. The rural economy in farm-dependent counties will struggle over the next few years because of lower farm incomes. Although rural employment has stabilized and is growing slowly, it remains well below the levels achieved prior to the Great Recession. Rural population is experiencing little to no growth. These factors suggest continued pressure on rural economies which may adversely affect small farmers, many of whom rely on off-farm income.
5. Uncertain and potentially volatile geopolitical conditions may have far-reaching effects on the global economic environment. Developments could affect interest rates, energy prices, and trade flows.

### **C. Government Policy Factors**

1. Congress may pursue GSE reform over the next few years. Such reform efforts will most likely start with Fannie Mae and Freddie Mac. It remains unclear how these efforts will affect FCA, the System, and Farmer Mac.
2. Government cybersecurity requirements will increase, which may increase costs.
3. Congress may pursue Inspector General reform, but it remains unclear how such efforts might affect FCA.
4. The federal agencies that regulate financial institutions and financial services continue to adapt to Wall Street reform (the changes in Dodd-Frank Wall Street Reform and Consumer Protection Act). Complying with the Consumer Financial Protection Act of 2010 may impose additional reporting and regulatory requirements on the System.
5. Legislative developments regarding agriculture and finance may change the business environment of the System and Farmer Mac.
6. Domestic farm policy, including farm commodity programs, crop insurance, and disaster programs, remains in place to support farmers through the 2018 crop year. However, budgetary pressures may reduce support either in appropriations bills or the next Farm Bill.
7. Changes in government policies related to renewable fuels may affect demand for agricultural products and services.

### **D. Farm Credit System Factors**

1. Structural changes, such as consolidations, mergers, alliances, and re-affiliations, will likely continue — in the System and in agriculture. The System will have to decide the best structure for balancing the competitive marketplace with cooperative principles and risk management.
2. Without significant operational adjustments, the declining profit margins of System borrowers will cause an increase in criticized and adverse loan volume. As a result, our examinations will have an increased focus on borrower rights compliance and

institutions' servicing of distressed loans.

3. Growing competition for borrowers in mature industries could mean that the System and Farmer Mac will seek to grow their business by expanding into new and possibly riskier markets. The System and Farmer Mac may also modify their underwriting and pricing structures.
4. An increase in retirements and a loss of institutional knowledge will challenge the System. Human capital programs will remain critical to attracting and retaining a diverse and knowledgeable workforce. Changes in the demographics of communities and markets will challenge System institutions to reflect those changes in their workforce and customer- owner base.
5. To assess emerging industry, institution and System risk, improvements in data retrieval, security, usability, and sharing will be critical. These improvements are critical for data shared among FCA employees, as well as for data shared between System institutions and FCA.
6. Heightened concern about cybersecurity will require System institutions and Farmer Mac to better understand cybersecurity risks and to ensure they have appropriate controls.
7. System institutions and Farmer Mac will need to be prepared for significant financial reporting changes in the coming years because of changes in accounting rules by the Financial Accounting Standards Board and the new capital regulations for the System.
8. The System will need to monitor and update practices and procedures related to the consumer compliance requirements of the Consumer Financial Protection Bureau.
9. Congress and the public will continue to scrutinize the System's GSE status because of factors such as reputation risks and concerns about the System's legislative mission. To address these concerns, the System will need to maintain strong communication channels with Congress and key stakeholders such as agricultural producers, farmer cooperatives, processors and marketers, and rural communities.
10. The System must adapt to changes in traditional agriculture and embrace new approaches, such as urban, specialty, and organic farming. These changes will challenge the System to find creative ways to balance safety and soundness with opportunities to serve new or emerging market segments.

## **E. Agency Factors**

1. Human capital challenges, including the need to recruit and retain a diverse, talented workforce, will continue. FCA may lose many seasoned, knowledgeable employees because of retirements and attrition over the planning horizon. As a result, knowledge transfer continues to be important. At the same time, these retirements will bring opportunities to develop new thought leaders who can bring diversity into the management and executive ranks of the agency.
2. FCA's communication and relationships with Congress, the other financial regulators, agricultural groups, academia, and other stakeholders will continue to be important.
3. Technology and cybersecurity are critical to our ability to carry out our mission, and their importance will continue to increase as will the need for regulations governing them.

4. FCA will ensure that mergers and consolidations are consistent with the principles and mission of the Farm Credit Act while maintaining or improving the safety and soundness of the System.
5. We will need to continually evaluate how best to fulfill our mission to remain an effective, efficient, secure, and strong arm's length regulator.
6. Rising credit risk in the System and softening in the agricultural economy will likely create greater demands on the agency.

## **V. Agency Goals**

FCA has three strategic goals that link directly to what we do. Under each goal, we have identified several strategies and actions that the FCA Board expects management to take towards accomplishing that goal. These strategies and actions will serve to measurably improve the agency's results. The agency will provide periodic reports to the FCA Board on the implementation of the strategies and actions in this strategic plan.

## **Goal I: Ensure that the FCS and Farmer Mac fulfill their public missions for agriculture and rural areas.**

The agricultural industry continues to change. Agricultural production and processing methods are evolving and becoming more integrated. The demographics of farmers and agricultural producers are gradually changing. The varieties and types of food and fiber production continue to grow. Trends, such as heightened demand for locally grown and specialty foods, and the growth in urban agriculture, are creating additional options for persons interested in becoming farmers, ranchers, and agricultural suppliers and distributors.

As these changes occur, the credit and related financial service needs of agricultural producers are evolving, and meeting those needs is a growing challenge. The following factors further increase this challenge:

- Volatile commodity and energy prices
- Greater global competition
- Changing public policy objectives
- Continued concentration and integration in agriculture
- Concerns about the safety and security of the food supply
- Transition to the next generation of agriculture producers
- The need to improve producers' income

To position FCA, the System, and Farmer Mac to meet these challenges in a timely manner, we adopt the following strategies and actions.

<b><u>Strategic Objective</u></b>	<b><u>Action(s)</u></b>
<p>1. Ensure that the capital rules for the FCS and Farmer Mac are consistent with standards for the financial service industry and preserve their financial strength and stability so they can meet the credit needs of eligible borrowers.</p>	<ul style="list-style-type: none"> <li>Periodically evaluate major or minor revisions and technical changes to capital rules implemented in 2017. Ensure rules: (1) remain consistent with U.S. Basel III, rules adopted and revised by Federal Banking Regulatory Authorities, and cooperative principles, (2) are enforceable, and (3) can be understood and implemented.</li> <li>In our oversight, continue to emphasize Farmer Mac’s capital planning and stress testing.</li> </ul>
<p>2. Within the framework of the Farm Credit Act, develop and update policies and regulations as appropriate so that the System, including Farmer Mac, can continue to effectively serve its members as conditions in agriculture and rural America change.</p>	<ul style="list-style-type: none"> <li>Support policy and regulatory positions with sound regulatory, economic, legal, and financial analysis.</li> <li>Develop and maintain economic and financial databases, reports, and dashboards to supply the information our employees need to examine institutions, conduct systemic risk analyses and develop policy and regulations.</li> <li>Identify and eliminate unnecessary regulatory burdens and other barriers to the System’s ability to serve the needs of all eligible borrowers.</li> </ul>
<p>3. Emphasize the public purpose and mission-related responsibilities of the agricultural GSEs to serve all of agriculture and rural America. This includes innovative programs for serving the credit and related service needs of YBS farmers, ranchers, and producers and harvesters of aquatic products.</p>	<ul style="list-style-type: none"> <li>Evaluate System program requests to ensure the programs will improve the well-being of farmers, ranchers, and rural communities.</li> <li>Enhance YBS data analysis to better assess System progress in serving YBS borrowers and to identify further opportunities for improving service to these borrowers.</li> <li>Encourage System institutions to evaluate their YBS programs to ensure that the programs also meet the credit and financial service needs of producers seeking to enter urban agriculture, produce local foods, or use direct-to-consumer marketing channels.</li> <li>Emphasize Farmer Mac’s obligation to promote and encourage the inclusion of qualified loans for small farms and family farmers in the agricultural mortgage secondary market.</li> </ul>
<p>4. Encourage the System to provide products and services to all creditworthy and eligible potential borrowers and to promote outreach to enhance diversity and inclusion.</p>	<ul style="list-style-type: none"> <li>Evaluate outreach efforts to target all who are creditworthy and eligible to borrow from the System.</li> </ul>
<p>5. Encourage diversity on the boards and in the workforce of System institutions.</p>	<ul style="list-style-type: none"> <li>Evaluate outreach efforts to target eligible candidates for board and institution personnel positions.</li> </ul>

<u>Strategic Objective</u>	<u>Action(s)</u>
6. Consistent with the Farm Credit Act, enable the agricultural GSEs to structure themselves to best serve their members and rural America.	<ul style="list-style-type: none"> <li>Review and revise, as necessary, regulations and policy guidance concerning mergers and other issues pertaining to corporate structure.</li> <li>Review each merger or re-affiliation application to ensure that it promotes safety and soundness for the institution and the System, and furthers the objectives of the Farm Credit Act.</li> </ul>
7. Encourage System institutions to be conscious of the reputation risk associated with their lending and investment decisions.	<ul style="list-style-type: none"> <li>Provide guidance to the FCS about FCA’s expectations for assessing, analyzing, and mitigating reputation risks.</li> </ul>
8. Promote public trust in FCA’s regulatory framework for the System and Farmer Mac by developing policy guidance that supports mission achievement, financial stability, and transparency.	<ul style="list-style-type: none"> <li>Evaluate and report to the FCA Board any significant environmental, economic, and financial issues that may affect the mission performance of the System and Farmer Mac and the well-being of agricultural producers.</li> </ul>
9. Encourage full participation of stakeholders in the development and review of regulatory and policy proposals as appropriate.	<ul style="list-style-type: none"> <li>Enhance constructive communication between internal and external stakeholders about policy and regulation development.</li> </ul>

## Goal II: Evaluate risk and provide timely and proactive oversight to ensure the safety and soundness of the System and Farmer Mac.

As the System continues to consolidate and institutions become larger and more sophisticated, our ability to effectively examine and monitor risk becomes even more critical. We must ensure that FCA, the System, and Farmer Mac have the ability to manage data to operate effectively. To accomplish this goal, we adopt the following strategies and actions:

<u>Strategic Objective</u>	<u>Action(s)</u>
1. Seek early FCA Board input on policy and regulatory issues. Ensure that the Board has timely and comprehensive information to be fully informed and able to respond appropriately.	<ul style="list-style-type: none"> <li>• Provide the board with timely reports and briefings on emerging issues and proposed options for consideration.</li> </ul>
2. Maintain strong and frequent two-way communication with stakeholders on issues of risk and safety and soundness.	<ul style="list-style-type: none"> <li>• Continue communication with our stakeholders through meetings, briefings, and written communication.</li> <li>• Investigate and respond to written borrower complaints and inquiries from institutions.</li> </ul>
3. Continue proactive oversight of institution-specific and systemic risks.	<ul style="list-style-type: none"> <li>• Maintain a strong examination program.</li> <li>• Evaluate whether FCS board governance practices are keeping pace with System institutions' increasing operational size and complexity.</li> <li>• Ensure internal controls in the System continue to strengthen and remain effective.</li> <li>• Monitor and evaluate the economic and financial environment, and identify emerging institutional and systemic risks.</li> </ul>
4. Effectively remediate weakened institutions.	<ul style="list-style-type: none"> <li>• Use our supervisory strategies and enforcement authorities to remedy weaknesses at troubled institutions in a timely and effective manner.</li> </ul>
5. Ensure that technology, information management, and cybersecurity awareness are priorities at FCA and in the FCS.	<ul style="list-style-type: none"> <li>• Invest in technology and modernize examination and analysis tools to enhance staff abilities to advance our examination, analysis, and policymaking roles.</li> <li>• Develop a clear and executable set of policies and procedures that establish a federally compliant cybersecurity and computing environment.</li> <li>• Enhance our use of loan data in examination, systemic risk analysis, and policymaking.</li> <li>• Increase the capacity to measure and monitor collateral risk arising from volatile commodity and land prices and Systemwide loan exposure.</li> <li>• Evaluate and assess the adequacy of System institutions' and FCA's cybersecurity preparedness.</li> </ul>

<u>Strategic Objective</u>	<u>Action(s)</u>
6. Ensure that strong governance, standards of conduct, and ethical behavior are part of the organizational culture of the FCS.	<ul style="list-style-type: none"><li>• Continue to examine the governance practices, standards of conduct, and ethics programs at System institutions.</li></ul>

**Goal III: Cultivate an environment that fosters a well-trained, motivated, and diverse staff while providing an effective plan for leadership succession.**

To be an effective organization, we need the right number of people with the right skills, experiences, and competencies. We will need all of the following elements to be successful:

- A resilient, adaptable workforce
- A framework for leveraging our strengths to reduce the impact of human capital risks on our operations
- Diverse and high-performing teams
- Knowledgeable, motivating, and positive leaders
- Mission-centered learning and engagement programs and processes
- Employee-centered work-life programs and engaging, career-building opportunities
- The infrastructure necessary to ensure the success of a geographically distributed workforce

The strategies and actions below will help us achieve this goal. They will also give us the flexibility to modify the Human Capital Plan to effectively accomplish the agency’s mission.

<u>Strategic Objective</u>	<u>Action(s)</u>
<p>1. Maintain a highly skilled, motivated, and diverse workforce to meet FCA’s current and future regulatory development, risk analysis, examination, and supervision needs.</p>	<ul style="list-style-type: none"> <li>• Develop process maps for regulatory development, risk analysis, examination, and supervision, and identify new opportunities to improve these processes. Through this action, agency leaders and managers can ensure continuity of leadership and help sustain a learning environment that drives continuous improvement in performance.</li> <li>• Establish policies, practices, and systems that reinforce results-oriented performance; effectively differentiate between high and low performance; and link individual, team, and unit performance to organizational goals and desired results.</li> <li>• Continue good-faith efforts to recruit and retain a diverse workforce throughout the agency at all levels and for all jobs. This would involve ensuring equal opportunity in recruiting, training, developing, promoting, and recognizing people.</li> </ul>

<u>Strategic Objective</u>	<u>Action(s)</u>
<p>2. Facilitate the development of the skills our workforce needs to evaluate FCS risk and provide timely and proactive oversight.</p>	<ul style="list-style-type: none"> <li>• Through human capital planning, identify positions and employees who are critical to the success of the agency. This involves identifying positions that present “key-person dependency” risks and ensuring that we have plans to manage succession for these positions and to build bench strength.</li> <li>• Provide training opportunities and time for staff to enhance the technical and soft skills necessary for their current positions and career advancement.</li> <li>• Increase staff efficiency through the use of leading edge information technology and software. At the same time, we must ensure that systems and people are vigilant against cyberthreats.</li> <li>• Focus on developing the management skills of a more diverse pool of employees.</li> </ul>
<p>3. Ensure adequate succession planning and knowledge transfer to ensure that future FCA leadership and staff possess the knowledge and skills required to be an effective arm’s length regulator.</p>	<ul style="list-style-type: none"> <li>• Enhance leadership and skill development by creating more opportunities for staff members to collaborate on projects with staff in other offices and divisions. This could involve rotations, mentoring, and shadowing.</li> <li>• Enhance programs and practices to capture valuable institutional knowledge from staff by using tools such as document archiving and process mapping.</li> <li>• Automate institutional knowledge through software as much as possible.</li> </ul>
<p>4. Encourage a workplace culture that motivates staff to be engaged, embraces diversity in all its forms and promotes strong ethical behavior.</p>	<ul style="list-style-type: none"> <li>• Analyze and evaluate the results of the Annual Employee Satisfaction Survey and take appropriate action to improve satisfaction and encourage staff.</li> <li>• Continue to seek input through employee communication channels.</li> <li>• Provide continued training to agency staff on diversity, unintended biases, and working in cross-generational teams.</li> <li>• Continue to support a strong ethics program that provides direction for the conduct of agency business in an independent, ethical, and arm’s length manner.</li> </ul>

## VI. Agency Performance Measures

**Goal I: Ensure that the FCS and Farmer Mac fulfill their public missions for agriculture and rural areas.**

<b>Desired Outcome</b>
A regulatory environment that provides for fulfilling the public missions of the System and Farmer Mac.
<b>Performance Measures</b>
1. Percentage of FCS institutions providing products and services that serve creditworthy and eligible persons and perform outreach to enhance diversity and inclusion. (Target: $\geq$ 90 percent) <i>Primary Responsibility: Office of Examination</i>
2. Whether Farmer Mac's business plan contains strategies to promote and encourage the inclusion of all qualified loans, including loans to small farms and family farmers, in its secondary market programs, and whether its business activities further its mission to provide a source of long-term credit and liquidity for qualifying loans. (Target: Yes) <i>Primary Responsibility: Office of Secondary Market Oversight</i>
3. Percentage of direct-lender institutions with satisfactory consumer and borrower rights compliance. (Target: $\geq$ 90 percent) <i>Primary Responsibility: Office of Examination</i>
4. Percentage of direct-lender institutions with YBS programs that are in compliance with YBS regulations. (Target: $\geq$ 90 percent) <i>Primary Responsibility: Office of Examination/Office of Regulatory Policy</i>
5. Whether the majority of objectives listed in the preamble of each final rule were met on the two-year anniversary of the rule's effective or implementation date. (Target: Yes) <i>Primary Responsibility: Office of Regulatory Policy</i>
6. Percentage of pre-rulemaking projects and proposed rules on which FCA requested input from persons outside of FCA. (This measure considers all of the pre-rulemaking projects and proposed rules that were listed as completed on FCA's Unified Agenda Abstracts for the reporting period.) (Target: 100 percent) <i>Primary Responsibility: Office of Regulatory Policy</i>

**Goal II: Evaluate risk and provide timely and proactive oversight to ensure the safety and soundness of the FCS and Farmer Mac.**

<b>Desired Outcome</b>
Effective risk identification and timely corrective action.
<b>Performance Measures</b>
1. Percentage of System assets in institutions with composite CAMELS ratings of 1 or 2. (Target: $\geq$ 90 percent) <i>Primary Responsibility:</i> Office of Examination
2. Percentage of requirements in supervisory agreements with which FCS institutions have at least substantially complied within 18 months of execution of the agreements. (Target: $\geq$ 80 percent) <i>Primary Responsibility:</i> Office of Examination
3. Percentage of institutions complying with regulatory capital ratio requirements. (Target: $\geq$ 90 percent) <i>Primary Responsibility:</i> Office of Examination
4. Whether the Office of Secondary Market Oversight’s examination and oversight plan and activities effectively identify emerging risks, and whether appropriate supervisory and corrective actions have been taken to effect change when needed. (Target: Yes) <i>Primary Responsibility:</i> Office of Secondary Market Oversight
5. Percentage of institutions with satisfactory audit and review programs, including institutions with acceptable corrective action plans. (Target: 100 percent) <i>Primary Responsibility:</i> Office of Examination
6. Whether five or more reports and dashboards were created that use data collected from the Farm Credit System to assess risk in the System. (Target: Yes) <i>Primary Responsibility:</i> Office of Information Technology

**Goal III: Cultivate an environment that fosters a well-trained, motivated, and diverse staff while providing an effective plan for leadership succession.**

<b>Desired Outcome</b>
A high-performing, diverse workforce that supports the mission of the agency.
<b>Performance Measures</b>
1. As a part of recruiting efforts for entry level examiners, FCA will ensure that at least 25 percent of its outreach efforts target disabled or minority potential applicants. (Target 25%) <i>Primary Responsibility:</i> Office of Agency Services
2. Whether we have maintained or improved our score from last year in the Annual Employee Satisfaction Survey. (Target: Yes) <i>Primary Responsibility:</i> Office of Agency Services