FARM CREDIT ADMINISTRATION

12 CFR Part 621

RIN 3052-AD63

Loan Performance Categories and Financial Reporting

AGENCY: Farm Credit Administration.

ACTION: Final rule

SUMMARY: The Farm Credit Administration (FCA, we, or our) amends our regulatory high-risk loan performance categories by removing "Formally restructured loans (TDR)," also known as troubled debt restructurings. In 2022, changes in generally accepted accounting principles (GAAP) eliminated the accounting guidance for TDRs, enhanced disclosure requirements for certain loan refinancings and restructurings undertaken when a borrower is experiencing financial difficulty and changed existing vintage year disclosure requirements for public business entities. This final rule removes TDRs from our regulatory loan performance categories to reflect changes in GAAP. Because FCA regulations require Farm Credit System (System) institutions to prepare financial statements and reports in accordance with GAAP, retaining TDRs as a regulatory loan performance category is no longer consistent with current accounting standards. In addition to making conforming

technical changes, the rule also makes minor technical and organizational revisions to ensure internal consistency within the regulation.

In addition, FCA determined that no regulatory amendments are necessary to implement GAAP's enhanced disclosure requirements for loan modifications to borrowers experiencing financial difficulty or for amended vintage year disclosures, as existing FCA regulations already require GAAP-compliant financial reporting.

DATES: This regulation will be effective 30 days after publication in the Federal Register during which either or both Houses of Congress are in session. We will publish a document announcing the effective date in the Federal Register.

FOR FURTHER INFORMATION CONTACT:

Technical information*:* Sherita J. Olla, Senior Policy Analyst, Office of Regulatory Policy, Farm Credit Administration, 703-883-4414, TTY (703) 883-4056.

Legal information*:* Jennifer Cohn, Assistant General Counsel, Office of General Counsel, Farm Credit Administration, 703-883-4020, TTY (703) 883-4056.

SUPPLEMENTARY INFORMATION:

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I. Introduction

A. *Objective of the Final Rule*

FCA's objective in amending the high-risk loan performance categories is to ensure FCA's regulations remain consistent with GAAP. This amendment reflects GAAP changes that eliminated the recognition and measurement guidance for TDRs and replaced it with a uniform framework for evaluating loan modifications, accompanied by enhanced disclosure requirements. As discussed below, the Farm Credit Act of 1971, as amended (Farm Credit Act) and § 621.3 of FCA regulations generally require System institutions to prepare financial statements and reports in accordance with GAAP.[1] Various FCA regulations in 12 CFR parts 620, 621, 630 and 655 implement the Farm Credit Act's financial reporting requirements.[2] Because GAAP no longer recognizes TDRs as a separate accounting classification, retaining TDRs as a regulatory loan performance category is no longer consistent with current accounting standards. This final rule updates FCA's regulations to ensure continued consistency between regulatory reporting requirements and applicable accounting standards, while

[1] GAAP, as issued and revised by the Financial Accounting Standards Board, are the standard accounting rules for preparing, presenting, and reporting financial statements in the United States.

[2] FCA regulations in Part 621 generally apply to all chartered System institutions. However, the Federal Agricultural Mortgage Corporation (Farmer Mac) is required to follow only those provisions where specifically indicated, which would include section 621.6. For purposes of this preamble, we do not include separate exceptions for Farmer Mac but expect Farmer Mac to self-identify those areas. Refer to 12 CFR §§ 621.1 and 621.2 (which defines the term "institution" within part 621 to include Farmer Mac).

maintaining transparent and decision-useful financial reporting for stakeholders.

B. Background

1. Statutory and Regulatory Framework

The Farm Credit Act, establishes the System as a government-sponsored enterprise to provide a reliable source of credit and related services to agriculture and rural America. The Farm Credit Act authorizes FCA to regulate and supervise System institutions to ensure their safety and soundness and their compliance with statutory and regulatory requirements.

Section 5.19(b) of the Farm Credit Act requires each System institution to prepare annual financial statements in accordance with GAAP and to include those statements in reports provided to shareholders. The Farm Credit Act also authorizes FCA to require additional financial information by regulation as necessary to carry out its supervisory responsibilities. Most relevant to this rulemaking, FCA's accounting and reporting regulations in 12 CFR part 621 implement these statutory requirements.

2. Regulatory Loan Performance Categories

As part of its financial reporting framework, FCA established regulatory loan performance categories to promote consistent reporting across System institutions and to provide transparent, decision-useful information to shareholders, investors, and other stakeholders regarding credit quality and risk. These performance categories also support FCA's supervisory oversight and the preparation of meaningful, system-wide financial data.

Section 621.6 of FCA's regulations establishes high-risk loan performance categories used by System institutions in preparing financial reports required under part 621.[3] These categories provide standardized information regarding loans that exhibit elevated credit risk or other performance concerns and facilitate consistent monitoring of credit quality across the System.

In developing and maintaining these regulatory categories, FCA has historically based its regulatory loan performance categories on information from multiple sources, including GAAP, industry disclosure practices, and interagency supervisory guidance. Although FCA and the System are not subject to the reporting standards of the Federal Financial Institutions Examination Council (FFIEC),[4]

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[3] FCA first adopted regulations on accounting for high risk assets at 51 FR 8644 (March 13, 1986), explaining at the time that performance categories serve two purposes: 1) to communicate to readers of the annual report the risks associated with loans that do not perform according to contractual terms, and 2) to establish objective standards consistently applied by System institutions for both FCA oversight purposes and the consolidation of "accurate and meaningful aggregate [financial] data" in the Systemwide Report to Investors.

[4] The FFEIC is an interagency body that establishes consistent principles, standards, and report forms for the banking regulators'

FCA's loan performance categories have generally been similar, though not identical to those used by the Federal banking regulators.

3. Inclusion of Troubled Debt Restructurings in Existing Regulations

The current high-risk loan performance categories in § 621.6 includes TDRs. At the time these categories were adopted, GAAP included specific recognition and measurement guidance for TDRs, which distinguished such loans from other loan modifications.

FCA last substantively amended the regulatory loan performance categories in 2020,[5] primarily to address changes related to nonaccrual loans. At that time, TDRs remained a distinct accounting and regulatory category under GAAP and were retained in FCA's high-risk loan performance framework.

4. Changes in GAAP Related to Loan Modifications

In March 2022, the Financial Accounting Standards Board (FASB)[6] issued Accounting Standards Update (ASU)No. 2022-02, Financial Instruments—Credit Losses (Topic 326): "Troubled Debt Restructurings and Vintage Disclosures" that

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federal examinations. Neither FCA, nor the System, is subject to the FFIEC's reporting standards.

[5] 85 FR 52253 (August 25, 2020).

[6] FASB is an independent, private sector organization responsible for establishing accounting and financial reporting standards in the United States for nongovernmental organizations that follow GAAP.

eliminated GAAP accounting recognition and measurement guidance for TDRs.[7] These changes replaced the former TDR framework with enhanced disclosure requirements for certain loan modifications made to borrowers experiencing financial difficulty. ASU 2022-02 also revised vintage disclosure requirements for public business entities.

These GAAP changes became effective for System institutions on January 1, 2023, coinciding with the System's adoption of the current expected credit losses (CECL) methodology.[8] Under the revised GAAP framework, loan modifications that previously would have been identified as TDRs are now evaluated and accounted for in the same manner as other loan modifications.

5. Interim FCA Guidance and Need for Regulatory Amendment

On December 30, 2022, FCA issued an informational memorandum to provide interim guidance to System institutions on implementing the GAAP changes related to TDRs while FCA evaluated appropriate regulatory amendments. The informational memorandum instructed institutions to implement the GAAP changes beginning with the first

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[7] The updates in ASU 2022-02 eliminated the accounting guidance for TDRs in Subtopic 310-40, "Receivables—Troubled Debt Restructurings by Creditors."

[8] The System adopted the CECL methodology in accordance with the FCA final rule, "Implementation of the Current Expected Credit Losses Methodology for Allowances, Related Adjustments to the Tier 1/Tier 2 Capital Rule, and Conforming Amendments." 87 FR 27483 (May 9, 2022). The CECL final rule went into effect on January 1, 2023.

quarterly reporting period of 2023 and clarified reporting expectations during the transition period.[9]

Although GAAP no longer recognizes TDRs as a distinct accounting category, references to TDRs remain in FCA's regulatory loan performance categories. This final rule addresses that inconsistency by updating FCA's regulations to remove TDRs as a high-risk loan performance category and align FCA's regulatory framework with the current GAAP treatment of loan modifications.

II. Summary of the Proposed Rule, Comments Received, and Final Rule

A. Summary of the Proposed Rule

In December 2025, FCA published a proposed rule in the Federal Register seeking public comment on amendments to its accounting and reporting regulations governing high-risk loan performance categories.[10] The proposed rule focused on conforming FCA regulations to changes in GAAP that eliminated the recognition and measurement guidance for TDRs.

Specifically, the proposed rule would amend § 621.6(b) to remove TDRs as a high-risk loan performance category. Because GAAP no longer recognizes TDRs as a distinct

[9] See Informational Memorandum "Accounting standards update on troubled debt restructuring (TDR)" dated December 30, 2022.
[10] 90 FR 56066 (Dec. 5, 2025).

accounting classification, FCA proposed this amendment to ensure consistency between its regulatory reporting framework and current accounting standards. The proposed rule also included conforming technical changes to paragraph numbering and cross-references within § 621.6.

Although the proposed rule did not include regulatory amendments related to the enhanced GAAP disclosure requirements, FCA sought public comment on its determination that existing regulations, specifically FCA regulation § 621.3(b), which requires System institutions to prepare financial statements and reports in accordance with GAAP, provide adequate authority for institutions to report required disclosures related to loan modifications to borrowers experiencing financial difficulty and vintage year disclosures. FCA further requested comment on its expectation for consistent placement of a qualitative loan modification disclosure within Management's Discussion and Analysis (MD&A), with reference to the detailed GAAP disclosures in the notes to the financial statements.

In addition, the proposed rule requested comment on whether FCA should retain the "loans 90 days past due still accruing interest" high-risk loan performance category. This request responded to prior feedback from System institutions and the Farm Credit Council (FCC)[11] regarding the continued supervisory value and reporting burden of this category. FCA explained the purpose and historical role of the category and invited commenters to provide empirical evidence supporting its retention or removal.

B. Comments Received

The proposed rule's comment period ended February 3, 2026. FCA received three comment letters in response to the proposed rule. One comment letter was submitted by the Federal Farm Credit Banks Funding Corporation (Funding Corporation) on behalf of the System Accounting Standards Work Group (Work Group) and the FCC. Two additional comment letters were submitted by Farm Credit Bank of Texas (FCBT) and Farm Credit Mid-America (FCMA).

FCBT and FCMA indicated that they participated in the Work Group and fully supported the comments submitted by the Funding Corporation. Accordingly, Funding Corporation, FCBT, and FCMA (collectively, the commenters) reflected a coordinated, System-wide response.

The commenters generally supported FCA's proposal to amend the regulatory high-risk loan performance categories by removing TDRs to reflect changes in GAAP. The commenters agreed that GAAP no longer includes recognition or

[11] The FCC is the trade association that represents the System.

measurement guidance for TDRs and supported FCA's efforts to align its regulations accordingly.

The commenters also supported FCA's determination that no regulatory amendments were necessary to implement GAAP's enhanced disclosure requirements for loan modifications to borrowers experiencing financial difficulty or the amended vintage year disclosure requirements. The commenters noted that existing FCA regulations already require System institutions to prepare financial statements and reports in accordance with GAAP and therefore that they provide appropriate guidance for incorporating these disclosures.

In addition, the commenters supported FCA's retention of the "loans 90 days past due still accruing interest" loan performance category, noting that this category provides useful information regarding credit risk trends, loan performance migration, and the overall financial condition of System institutions.

The commenters provided detailed feedback on FCA's discussion of a qualitative core loan modification disclosure in the MD&A loan portfolio section. While commenters acknowledged FCA's objective of enhancing transparency and stakeholder understanding, they expressed concern that including such discussion in MD&A could be duplicative of GAAP-required disclosures in the financial statements and related footnotes and could impose unnecessary reporting burden or focus undue attention on a specific aspect of operations.

C. Discussion of the Final Rule and Responses to Comments

After consideration of the comments received, FCA is adopting the proposed rule as final without changes to the regulatory text.

1. Removal of the TDR Category.

The commenters supported FCA's proposal to remove TDRs from the regulatory high-risk loan performance categories, noting that GAAP eliminated TDR recognition and measurement guidance and now evaluates loan modifications under a single, consistent framework. FCA agrees with the commenters that retaining TDRs as a regulatory performance category would be inconsistent with current GAAP. Accordingly, FCA is finalizing the removal of TDRs from the high-risk loan performance categories as proposed.

2. GAAP Loan Modification and Vintage Disclosure Requirements.

The commenters supported FCA's determination that no regulatory amendments were necessary to implement GAAP's enhanced disclosure requirements related to loan modifications to borrowers experiencing financial difficulty or the amended vintage year disclosure requirements. The commenters noted that FCA regulations already require financial statements and reports to be prepared in accordance with GAAP and provide sufficient guidance to incorporate evolving accounting standards. FCA agrees and, as proposed, is not adopting amendments to implement GAAP's enhanced disclosure requirements.

3. Retention of the "Loans 90 Days Past Due Still Accruing Interest" Category.

The commenters supported retaining the "loans 90 days past due still accruing interest" loan performance category, citing its usefulness as a leading indicator of credit risk and as a tool for assessing loan performance trends and migration. FCA agrees that this category continues to provide supervisory and informational value and is retaining it in the final rule.

4. MD&A Disclosure of Loans to Borrowers Experiencing Financial Difficulty.

The commenters expressed concern regarding FCA's discussion of a qualitative core loan modification disclosure in MD&A, stating that such discussion could be duplicative of GAAP disclosures presented in the financial statements and related footnotes and could impose unnecessary reporting burden. FCA acknowledges these concerns.

FCA emphasizes that the financial statements and related footnotes remain the authoritative source for detailed GAAP-required disclosures related to loan modifications to borrowers experiencing financial difficulty.

Accordingly, FCA clarifies that the final rule does not establish any new MD&A disclosure requirements or prescribe the placement of qualitative discussion regarding such disclosures. System institutions must continue to prepare MD&A consistent with existing FCA regulations and applicable management judgement and materiality considerations.

B. Final Rule Provisions

Amendments to § 621.6

In this final rule, the FCA amends § 621.6 to remove TDRs from the regulatory high-risk loan performance categories.

Specifically, FCA removes § 621.6(b), which identified formally restructured loans (TDR) as a high-risk loan performance category. This amendment reflects changes in GAAP that eliminated the accounting recognition and measurement guidance for TDRs and replaced it with enhanced disclosure requirements for certain loan modifications when a borrower is experiencing financial difficulty.

The final rule does not make changes to the remaining high-risk loan performance categories in § 621.6. Farm Credit banks and associations will continue to report high-risk loans in accordance with the remaining categories and existing regulatory reporting requirements.

III. Regulatory Matters

A. Determinations under Executive Order 12866 and Executive Order 14192.

The Office of Management and Budget's Office of Information and Regulatory Affairs (OIRA) has determined that this final rule is not a "significant regulatory action" as defined by Section 3(f) of Executive Order 12866, made applicable to FCA by Executive Order 14215. OIRA has also determined that this action is an Executive Order 14192 deregulatory action.

B. Regulatory Flexibility Act

Pursuant to section 605(b) of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*), FCA hereby certifies that the rule will not have a significant economic impact on a substantial number of small entities. Each of the banks in the Farm Credit System, considered together with its affiliated associations, has assets and annual income more than the amounts that would qualify them as small entities. Therefore, Farm Credit System institutions are not "small entities" as defined in the Regulatory Flexibility Act.

C. Congressional Review Act

Under the provisions of the Congressional Review Act (5 U.S.C. 801 et seq.), OIRA has determined that this final rule is not a "major rule" as the term is defined at 5 U.S.C. 804(2).

List of Subjects

12 CFR Part 621

Accounting, Agriculture, Banks, banking, Government securities, Investments, Reporting and recordkeeping requirements, Rural areas.

For the reasons stated in the preamble, the Farm Credit Administration amends part 621 of chapter VI, title 12 of the Code of Federal Regulations as follows:

PART 621--ACCOUNTING AND REPORTING REQUIREMENTS

1. The authority citation for part 621 is revised to read as follows:

Authority: Secs. 4.12(b)(5), 4.14, 4.14A, 4.14D, 5.17, 5.19, 5.22A, 8.11 of the Farm Credit Act (12 U.S.C. 2183, 2202, 2202a, 2202d, 2252, 2254, 2257a, 2279aa-11); sec. 514 of Pub. L. 102-552.

Subpart C – Loan Performance and Valuation Assessment

2. Section 621.6 is amended by:

a. Removing paragraph (b);

b. Renumbering paragraphs (c) and (d) as new paragraph (b) and (c); and

c. Replacing the phrase “under paragraph (c)” in § 621.6(a)(2) with “under paragraph (b)”.

§ 621.6 [Amended].

Date: ________________ ______________________________
Ashley Waldron,
Secretary,
Farm Credit Administration.