

Glen R. Smith, Chairman and Chief Executive Officer  
Jeffery S. Hall, Board Member



**MINUTES OF THE REGULAR MEETING  
OF THE  
FARM CREDIT ADMINISTRATION BOARD  
August 13, 2020**

These minutes reflect the business transacted at the August 13, 2020, Regular Meeting of the Farm Credit Administration Board (FCA Board) pursuant to the Government in the Sunshine Act, 5 U.S.C. § 552b, and the regulations of the Farm Credit Administration (FCA) adopted thereunder.

The meeting began at 9:00 a.m. and concluded at 9:43 a.m.

Members of the Board present were:

**Glen R. Smith, Chairman and Chief Executive Officer**  
**Jeffery S. Hall, Member**

Others present included **Kevin Kramp**, Acting Deputy General Counsel; **Dale Aultman**, Secretary to the Board; staff of the FCA and the Farm Credit System Insurance Corporation; and 13 members of the general public. (A list of staff attendees is attached as Exhibit A.)

**Chairman Smith** announced that this meeting of the Board is a virtual meeting, and Agency personnel are teleworking due to the COVID 19 pandemic.

**Chairman Smith** asked the Secretary to the Board to conduct a roll call and to address a few technical and protocol items.

The **Secretary** conducted a roll call addressed technical and protocol items.

The **Secretary** read a statement that announced the meeting would be conducted according to the requirements of the Government in the Sunshine Act.

**Chairman Smith** reviewed the published Agenda. (A copy of the Public Announcement publishing the Agenda for the meeting is attached as Exhibit B.)

**Mr. Hall** moved to adopt the Agenda as published.

**Chairman Smith** seconded the motion.

There being no further discussion, **Chairman Smith** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

**Mr. Hall** noted that the Agenda *did not* include any portions of the meeting that should be closed to the public as permitted by the Government in the Sunshine Act and therefore moved that the entire meeting remain open.

**Chairman Smith** seconded the motion.

There being no further discussion, **Chairman Smith** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

## **OPEN SESSION**

### **Approval of Minutes**

#### **Minutes for July 16, 2020 Regular Board Meeting (BM-13-AUG-20-01)**

**Mr. Hall** moved to approve the minutes for the July 16, 2020, FCA Regular Board Meeting.

**Chairman Smith** seconded the motion.

There being no further discussion **Chairman Smith** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-13-AUG-20-01)**

(A copy of the official "Board Action Item" is attached as Exhibit C.)

### **Report**

#### **Annual Report on the Farm Credit System's Young Beginning, and small Farmer Mission Performance: 2019 Result**

**Sal Iannetta** of the **Office of Regulatory Policy** presented the Annual Report on the Farm Credit System's Young Beginning, and small Farmer Mission Performance: 2019 Result.

**Chairman Smith** asked if there were any questions or further discussion from the Board.

There were no further questions or discussion.

(A copy of the PowerPoint presentation is attached as Exhibit D.)

### **New Business**

#### **Investment Eligibility Final Rule (BM-13-AUG-20-02)**

**David Lewandrowski** of the **Office of Regulatory Policy**, and **Richard Katz** of the **Office of General Counsel** presented the Investment Eligibility Final Rule.

(A copy of the PowerPoint presentation is attached as Exhibit E.)

**Chairman Smith** open the discussion for questions by the Board.

**Chairman Smith** asked if there was any further discussion and asked staff to provide their recommendation. Staff provided their recommendation.

**Chairman Smith** called for a motion on the staff's recommendation.

**Mr. Hall** moved to approve the Investment Eligibility Final Rule as recommended by staff.

**Chairman Smith** seconded the motion.

**Chairman Smith** asked if there was any further discussion.

There being no further discussion, **Chairman Smith** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously. (BM-13-AUG-20-02)

(A copy of the official "Board Action Item" is attached as Exhibit F.)

### **Amortization Final Rule (BM-13-AUG-20-03)**

**Lori Markowitz** of the **Office of Regulatory Policy**, and **Richard Katz** of the **Office of General Counsel** presented the Amortization Final Rule.

(A copy of the PowerPoint presentation is attached as Exhibit G.)

**Chairman Smith** open the discussion for questions by the Board.

**Chairman Smith** asked if there was any further discussion and asked staff to provide their recommendation. Staff provided their recommendation.

**Chairman Smith** called for a motion on the staff's recommendation.

**Mr. Hall** moved to approve the Amortization Final Rule as recommended by staff.

**Chairman Smith** seconded the motion.

**Chairman Smith** asked if there was any further discussion.

There being no further discussion, **Chairman Smith** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously. (BM-13-AUG-20-03)

(A copy of the official "Board Action Item" is attached as Exhibit H.)

### **ADJOURNMENT**

There being no further business to come before the Board, **Chairman Smith** indicated he would entertain a motion to adjourn the meeting.

**Mr. Hall** moved that the meeting be adjourned.

**Chairman Smith** seconded the motion.

**Chairman Smith** called the question.



**STAFF PRESENT AT THE  
FCA REGULAR BOARD MEETING  
August 13, 2020**

Glen R. Smith, Board Chairman / CEO

Jeffery S. Hall, Board Member

OFFICE	OPEN SESSION
<b>Office of the Board</b>	
Smith, Glen	X
Hall, Jeff	X
Morris, James	X
Donner, Mary Alice	X
Roque-Brehm, Awilda	X
Calhoun, Gaye	X
Ibelli, Heyam	X
Aultman, Dale	X
<b>COO</b>	
Coleman, Robert	X
<b>OIT</b>	
Golley, Jerald	X
Matos, Ricardo	X
Versace, Jerry	X
<b>OCPA</b>	
Stokke, Michael	X
Middleton, Russell	X
<b>OGC</b>	
Kramp, Kevin	X
Katz, Richard	X
<b>OE</b>	
Paulsen, Roger	X
Waldron, Ashley	X
<b>ODAE</b>	
D'Antoni, Jeremy	X
<b>OIG</b>	
Laguarda, Wendy	X
Miller, Kevin	X
<b>OSMO</b>	
Rea, Laurie	X
Hudson, Bruce	X
<b>ORP</b>	
Grahn, David	X
Iannetta, Sal	X
Lewandrowski, David	X
Markowitz, Lori	X
Edelstein, Jeremy	X
Johansen, Mark	X

<b>OFFICE</b>	<b>OPEN SESSION</b>
<b>OCFO</b>	
Smith, Stephen	X
Gandy, Doug	X
<b>OAS</b>	
Bell, Vonda	X
Clark, Patrina	X
<b>FCSIC</b>	
Rubin, Howard	X
Grimaldi, Andrew	X
<b>GENERAL PUBLIC</b>	13

Farm Credit Administration

1501 Farm Credit Drive  
McLean, VA 22102-5090  
(703) 883-4000



**PUBLIC ANNOUNCEMENT OF  
MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT**

**Farm Credit Administration Board  
Regular Meeting  
August 13, 2020**

**Summary:** Notice is hereby given, pursuant to the Government in the Sunshine Act (5 U.S.C. Sec. 552b(e) (1)), of the forthcoming regular meeting of the Farm Credit Administration Board.

**Date and Time:** The regular meeting of the Board will be held August 13, 2020, from 9:00 a.m. until such time as the Board may conclude its business. *Note: Because of the COVID-19 pandemic, we will conduct the board meeting virtually. If you would like to observe the open portion of the virtual meeting, see instructions below for board meeting visitors.*

**Attendance:** To observe the open portion of the virtual meeting, go to FCA.gov, select "Newsroom," then "Events." There you will find a description of the meeting and a link to "Instructions for board meeting visitors." See SUPPLEMENTARY INFORMATION for further information about attendance requests.

**Contact:** Dale Aultman, Secretary to the Farm Credit Administration Board (703) 883-4009. TTY is (703) 883-4056.

**Supplementary Information:** This meeting of the Board will be open to the public. If you wish to observe, follow the instructions above in the "Attendance" section at least 24 hours before the meeting. If you need assistance for accessibility reasons or if you have any questions, contact Dale Aultman, Secretary to the Farm Credit Administration Board, at (703) 883-4009. The matters to be considered at the meeting are as follows:

**OPEN SESSION**

**Approval of Minutes**

- 1 July 16, 2020

**Report**

- 2 Annual Report on the Farm Credit System's Young Beginning, and Small Farmer Mission Performance: 2019 Results

**New Business**

- 3 Investment Eligibility Final Rule
- 4 Amortization Final Rule

\_\_\_\_\_/s/  
Dale Aultman  
Secretary to the Board

August 4, 2020  
Date

Farm Credit Administration

1501 Farm Credit Drive  
McLean, VA 22102-5090  
(703) 883-4000

**BOARD ACTION ITEM**

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**FCA BOARD ACTION ON**

**Minutes for July 16, 2020**

**BM-13-August-20-01**

**Effective Date:** August 13, 2020

**Effect on Previous Action:** None

**THE FCA BOARD HEREBY:**

Approves the minutes for July 16, 2020.

**DATED THIS 13th DAY OF AUGUST 2020**

**BY ORDER OF THE BOARD**

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*/s/*  
**Dale L. Aultman**  
**Secretary to the Board**





Exhibit D

# Farm Credit Administration Board Meeting

August 13, 2020



## **2019 Results: FCA's Annual Report on the Farm Credit System's Young, Beginning, and Small Farmer Mission Performance**

**FCA Board Meeting  
August 13, 2020  
Salvatore Iannetta, Senior Policy Analyst**



# YBS Guidelines

## Farm Credit Act

- FCS institutions must have programs to furnish sound and constructive credit and related services to YBS farmers and ranchers.
- Requires the reporting of YBS activities.

## Regulation 614.4165 – 2004

- Sets minimum YBS program components, reporting, and disclosure requirements for associations.

## Bookletters – 2007 and 2012

- BL 040—Provides flexibility on lending opportunities for YBS farmers and ranchers.
- BL 066—Provides guidance for serving farmers who market their agricultural products through local or regional food systems.

## Informational Memorandum – 2014

- Provides information on opportunities to coordinate lending, training, and outreach with the Farm Service Agency.

## Advanced Notice of Proposed Rulemaking (ANPRM) – 2019



# YBS Definitions



## Definitions for FCA Reporting:

- *Young Farmer*: 35 years of age or younger.
- *Beginning Farmer*: 10 years or less of farming experience.
- *Small Farmer*: gross annual farm sales of \$250,000 or less.

## Important Data Clarifications:

- YBS data is reported separately for each category.
- Borrowers may qualify under more than one category.
  - Adding Y, B, and S data together does not produce an accurate measure of YBS lending.
- Dollar volumes include advances and commitments.

# YBS Results



## YBS Loans Outstanding

As of December 31, 2019

	Number of loans	Percentage of total number	Dollar volume of loans in millions	Percentage of total volume
Young farmers / ranchers	177,590	19.4%	\$31,043	11.1%
Beginning farmers / ranchers	272,654	29.8%	\$48,645	17.4%
Small farmers / ranchers	459,894	50.3%	\$51,869	18.5%

## YBS Loans Made During 2019

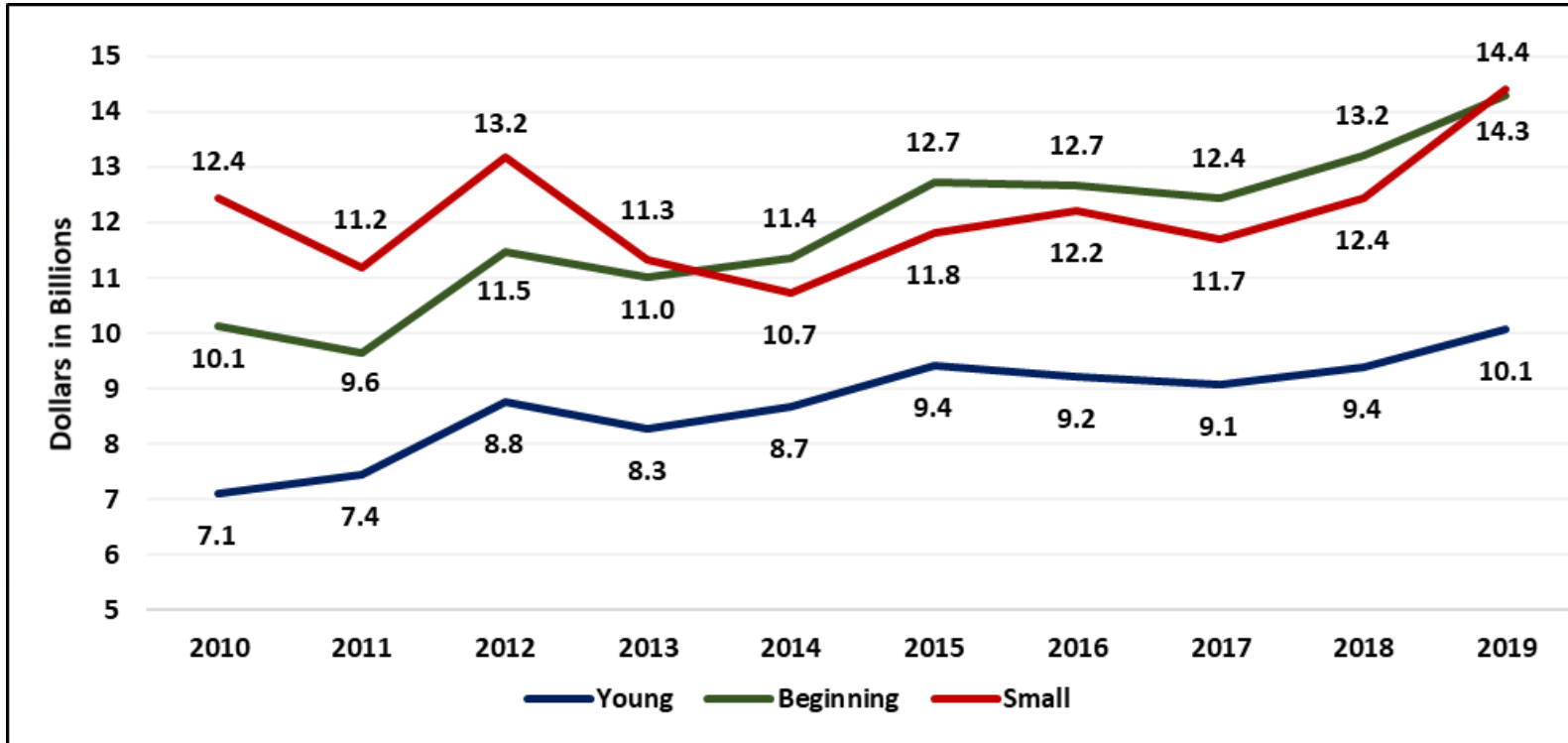
As of December 31, 2019

	Number of loans	Percentage of total number	Dollar volume of loans in millions	Percentage of total volume
Young farmers / ranchers	49,104	18.2%	\$10,085	11.1%
Beginning farmers / ranchers	67,088	24.9%	\$14,283	15.7%
Small farmers / ranchers	123,494	45.7%	\$14,421	15.9%

Source: Annual Young, Beginning, and Small Farmer Reports submitted by each System lender through the District Banks

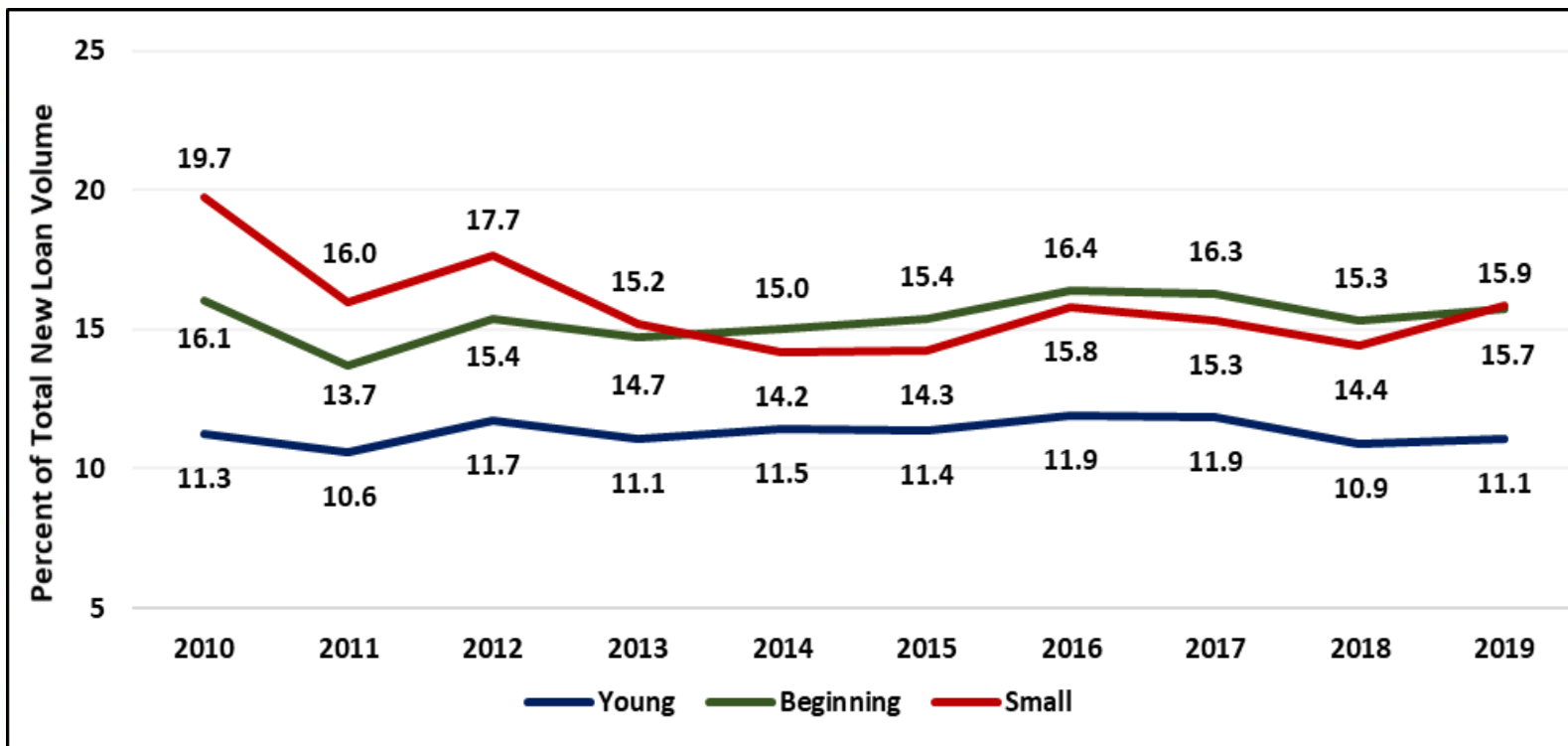


# New YBS Loan Volume



Source: Annual Young, Beginning, and Small Farmer Reports submitted by each System lender through the District Banks

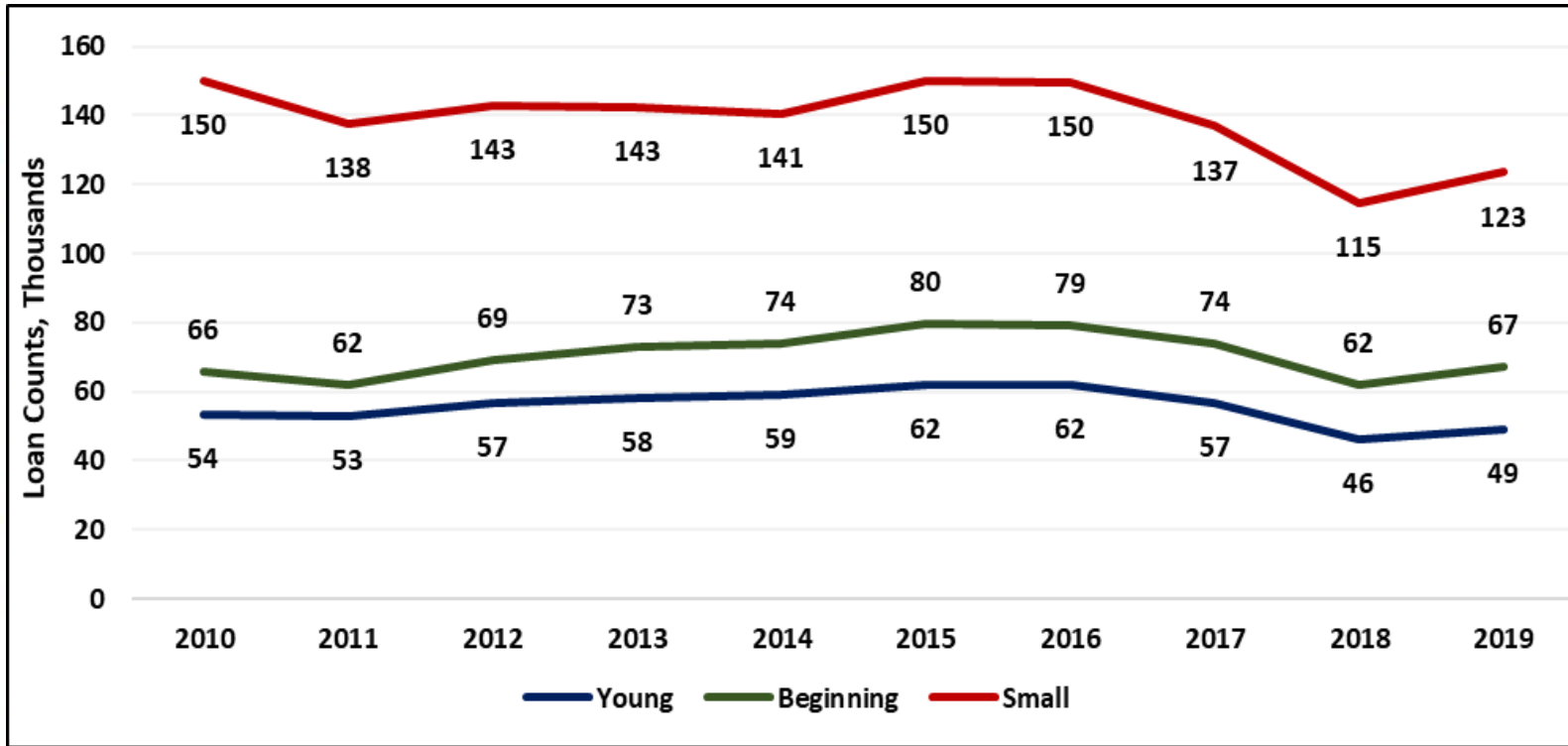
# YBS Share of Total New Loan Volume



Source: Annual Young, Beginning, and Small Farmer Reports submitted by each System lender through the District Banks



# New YBS Loan Counts

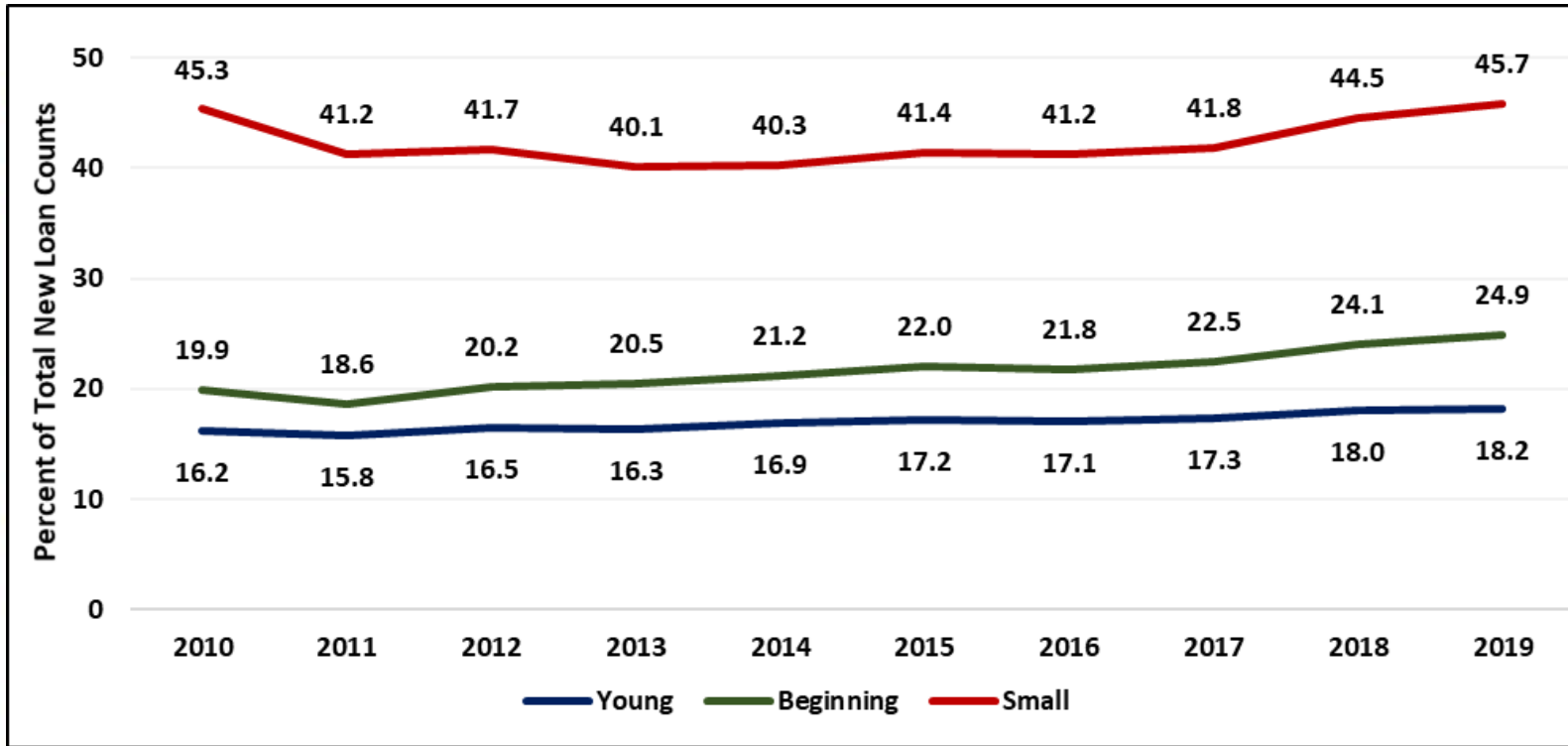


Source: Annual Young, Beginning, and Small Farmer Reports submitted by each System lender through the District Banks





# YBS Share of Total New Loan Counts



Source: Annual Young, Beginning, and Small Farmer Reports submitted by each System lender through the District Banks



# YBS Initiatives Update



- Improved the Agency's ability to track FCS service to YBS producers and identifying best practices used to serve YBS producers.
- Working to modernize and reduce burden for FCS reporting of YBS lending data.
- Engaged with FCS data workgroups and attended FCS YBS focused events.
- Working with other Government Agencies for the benefit of YBS producers.



**Thank you**

**Questions?**

# Investment Eligibility Final Rule

David Lewandrowski – ORP  
Richard Katz – OGC



Farm Credit Administration



# Background

- Proposed Rule initiated due to concerns expressed regarding limitations that became effective January 1, 2019.
- Proposed Rule was adopted by the FCA Board on August 8, 2019.
- Posted in the Federal Register on September 18, 2019, with a 60-day comment period.
- Comment letters were received primarily from commercial banks and several FCS institutions.



# Background – Comments

- 34 comment letters were received.
- 24 comment letters were in overall support while also requesting additional latitude for other guaranteed investments to be allowed.
- 9 comment letters were in strict opposition.
- 1 comment letter expressed no preference.
- Commercial bank commenters were nearly equally split between support and opposition.
- FCS institution commenters were in support.



# Final Rule

- After reviewing and considering the comment letters received on the proposed rule, staff finalized the proposed rule without change.
- The requests to expand to other guaranteed investment options were not considered because they were outside the scope of this rule making.



# Final Rule

- The final rule amends § 615.5140(b)(2) and (b)(3) to allow Farm Credit System associations to purchase in the secondary market, the portions of loans that non-FCS institutions originate and that the USDA fully and unconditionally guarantees or insures as to both principal and interest.





# Final Rule

- Objectives of the Final Rule:
  - ✓ Augment the liquidity of rural credit markets;
  - ✓ Reduce the capital burden on community banks and other non-System lenders who choose to sell their USDA guaranteed portions of loans, so they may extend additional credit in rural areas; and
  - ✓ Enhance the ability of associations to manage risk.



# Final Rule

- Once effective, changes will be necessary to several items including:
  - ✓ Bookletter-064;
  - ✓ Informational Memorandums; and
  - ✓ Call Report Schedules.







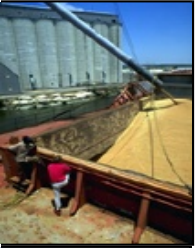
# FCA Board Meeting August 2020

Exhibit G

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## Final Rule on Amortization Limits

Lori Markowitz  
Richard Katz





# Proposed Rule

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- ▶ Published January 23, 2020
- ▶ Repeals the loan amortization restrictions on PCA loans in § 614.4040(a)(2)
- ▶ Repeals requirement in § 614.4040(a)(3)
- ▶ Restructures § 614.4050
- ▶ Adds a new paragraph at the end of § 614.4200





# Comment Letters

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- ▶ Comment period ended March 23, 2020
- ▶ Received six comment letters
- ▶ All in support of proposed rule except one trade association





# Final Rule

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- ▶ Recommend that the FCA Board finalize the proposed rule without revision.
- ▶ Amortization is a credit underwriting decision and safety and soundness issue.
- ▶ Final § 614.4200(c) ties amortization to loan underwriting standards required by § 614.4150, type and purpose of the loan, expected useful life of the asset, and repayment capacity of the borrower.



Farm Credit Administration

1501 Farm Credit Drive  
McLean, VA 22102-5090  
(703) 883-4000

**BOARD ACTION ITEM**

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**FCA BOARD ACTION ON**

**Amortization Final Rule**

**BM-13-August-20-03**

**Effective Date:** August 13, 2020

**THE FCA BOARD HEREBY:**

- Approves the final rule that would repeal the amortization and other limits on PCA loans in §§ 614.4040(a)(2) and (a)(3) and add a new paragraph at the end of § 614.4200 that would require System associations to address certain factors in their credit underwriting standards and internal controls whenever loans amortize over a longer time than the terms to maturity; and
- Authorizes staff to make any technical or grammatical changes that may be necessary prior to publication in the *Federal Register*.

**DATED THIS 13th DAY OF AUGUST 2020**

**BY ORDER OF THE BOARD**

\_\_\_\_\_/s/  
**Dale L. Aultman**  
**Secretary to the Board**