

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



**MINUTES OF THE REGULAR MEETING
OF THE
FARM CREDIT ADMINISTRATION BOARD
May 14, 2020**

These minutes reflect the business transacted at the May 14, 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 11:37 a.m.

Members of the Board present were:

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

Others present included **Charles Rawls**, General Counsel; **Dale Aultman**, Secretary to the Board; staff of the FCA and the Farm Credit System Insurance Corporation; and 11 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 everyone is 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 and addressed some technical and protocol items.

The **Secretary** read a statement announcing 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* include portions of the meeting that should be closed to the public as permitted by the Government in the Sunshine Act and therefore moved that meeting be closed as shown on the Agenda.

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 April 16, 2020 Regular Board Meeting (BM-14-MAY-20-01)

Mr. Hall moved to approve the minutes for the April 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-14-MAY-20-01)**

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

Reports

Farm Credit System Building Association Auditor's Report on 2019 Financial Audit

Rick Albrecht, President of the **Farm Credit System Building Association** and **Brynn McNeil** and **Jeremy Burgess** of **Cherry Beakert, LLP** presented the FCSBA Auditor's Report on the 2019 Financial Audit.

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.)

Funding Corporation Activities

David Lewandrowski of the **Office of Regulatory Policy** presented the Funding Corporation Activities report.

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 E.)

Paycheck Protection Program

David Grahn of the **Office of Regulatory Policy** presented the Paycheck Protection Program report.

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 F.)

CLOSED SESSION

Chairman Smith noted that this was a Closed Session and asked OIT staff to disconnect the outside visitors, and asked FCA and FCISIC staff to leave the virtual meeting if they do not normally observe the closed session, so the Board could meet in Closed Session with the Office of Secondary Market Oversight.

Chairman Smith convened the closed session of the meeting at 9:59 a.m. and instructed OIT staff to start recording so that the proceedings of the Closed Session were properly recorded as required by the Government in the Sunshine Act.

Chairman Smith then instructed the **General Counsel** to furnish the **Secretary** with a certification, pursuant to 5 U.S.C. § 552b(f), that the portions of the meeting held in Closed Session may be properly closed to the public.

OIT Staff confirmed that the recording started.

The **Secretary** noted the start time of the closed session and called the roll. (Attendees are shown on Exhibit A.)

(A copy of the Certification is attached hereto as Exhibit G.)

Office of Secondary Market Oversight Periodic Report

Laurie Rea, Joe Connor, Bruce Hudson, Jeremy Del Moral, Bill Bravenec and Angela Greenlee of the **Office of Secondary Market Oversight** presented the OSMO Periodic Report.

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

There were no further questions or discussion.

CLOSED EXECUTIVE SESSION

Chairman Smith announced that the next topic on the Agenda was closed executive session pursuant to previous Board action and 5 U.S.C. § 552b(c)(2).

Chairman Smith asked OIT staff to connect Cherry Bekaert Auditors Brynn and Jeremy, and disconnect everyone except for the Board Members, Executive Assistants, the General Counsel, the Secretary to the board and the two OIT staff members, so that the board could meet with Brynn McNeil and Jeremy Burgess as approved by the Board previously.

Chairman Smith asked OIT staff to ensure that FCA and FCSIC Staff had been disconnected so the Board could meet in Closed Executive Session.

OIT Staff confirmed that FCA and FCSIC staffers had been disconnected.

Chairman Smith convened the Executive Closed Session of the meeting at 11:31 a.m. and instructed **OIT Staff** to continue the recording.

OIT Staff confirmed that the recording has started.

The **Secretary** noted the start time of the closed session and called the roll.

Farm Credit System Building Association Auditor Meeting

Chairman Smith reminded those speaking to state their name before speaking and asked the Auditors to further discuss the audit.

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

There were no further questions or discussion.

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.

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

The meeting adjourned at 11:37 a.m.

NOTATIONAL VOTE ACTION

There was one notational vote action approved by the FCA Board from April 17, 2020, through May 13, 2020 as follows:

Item Number	Action Date	Voting Results	Subject
NV 20-08	5/8/2020	Approved	CoBank, ACB Streamlined Process for Investments in USDA Essential Community Facilities

The undersigned hereby certify that the foregoing minutes are the official minutes of the Regular Meeting of the Farm Credit Administration Board held on May 14, 2020.

/s/
Glen R. Smith
Board Chairman and Chief Executive Officer

/s/
Dale Aultman
Secretary to the Board

Approved: June 11, 2020

**STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
May 14, 2020**

Glen R. Smith, Board Chairman / CEO

Jeffery S. Hall, Board Member

OFFICE	OPEN SESSION	CLOSED SESSION	EXECUTIVE CLOSED SESSION
Office of the Board			
Smith, Glenn	X	X	X
Hall, Jeff	X	X	X
Morris, James	X	X	X
Donner, Mary Alice	X	X	X
Roque-Brehm, Awilda	X		
Calhoun, Gaye	X		
Aultman, Dale	X	X	X
COO			
Coleman, Robert	X	X	
OIT			
Golley, Jerald	X	X	
Matos, Ricardo	X	X	X
Versace, Jerry	X	X	X
OCPA			
Stokke, Michael	X	X	
Middleton, Russell	X	X	
OGC			
Rawls, Charles	X	X	X
Kramp, Kevin	X	X	
OE			
Paulsen, Roger	X	X	
Waldron, Ashley	X	X	
Hanson, Angela	X		
Anderson, Andrew	X		
Fulton, Michael	X		
Henry, Trent	X		
Johnson, Nick	X		
Mauil, Kyle	X		
McGee, Brianna	X		
Green, Steve	X		
ODAE			
D'Antoni, Jeremy	X	X	
OIG			
Laguarda, Wendy	X		

OFFICE	OPEN SESSION	CLOSED SESSION	EXECUTIVE CLOSED SESSION
OSMO			
Rea, Laurie	X	X	
Connor, Joseph	X	X	
Hudson, Bruce	X	X	
Del Moral, Jeremy	X	X	
Bravenec, William	X	X	
Greenlee, Angela	X	X	
ORP			
Grahn, David	X	X	
Lewandrowski, David	X		
OCFO			
Smith, Stephen	X	X	
Gandy, Doug	X	X	
OAS			
Bell, Vonda	X	X	
Clark, Patrina	X	X	
FCSIC			
Rubin, Howard	X	X	
Powalski, Lynn	X	X	
Wynn, Wade	X		
FCSBA			
Rick Albrecht	X		
Brynn McNeil (Cherry Bekaert Auditor)	X		X
Jeremy Burgess (Cherry Bekaert Auditor)	X		X
GENERAL PUBLIC	11	N/A	N/A

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
May 14, 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 May 14, 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: Parts of this meeting of the Board will be open to the public, and parts will be closed. If you wish to observe the open portion, 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 April 16, 2020

Reports

- 2 Farm Credit System Building Association Auditor's Report on 2019 Financial Audit
- 3 Funding Corporation Activities
- 4 Paycheck Protection Program

CLOSED SESSION

5 Office of **Secondary Market Oversight** Report¹

CLOSED EXECUTIVE SESSION

6 Executive Session - Farm Credit System Building Association Auditor's Report²

_____/s/
Dale Aultman
Secretary to the Board

May 4, 2020
Date

¹ Closed session is exempt pursuant to 5 U.S.C. Section 552b(c)(8) and (9).

² Closed session is exempt pursuant to 5 U.S.C. Section 552b(c)(2).

Farm Credit Administration

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

BOARD ACTION ITEM



FCA BOARD ACTION ON

Minutes for April 16, 2020

BM-14-MAY-20-01

Effective Date: May 14, 2020

Effect on Previous Action: None

THE FCA BOARD HEREBY:

Approves the minutes for April 16, 2020.

DATED THIS 14th DAY OF MAY 2020

BY ORDER OF THE BOARD

_____/s/
Dale Aultman
Secretary to the Board

FCS Building Association

Report Regarding Financial
Statement Audit for the Year
Ended December 31, 2019

SPEAKERS

Brynn McNeil, Partner
bmcneil@cbh.com

Jeremy Burgess, Manager
jburgess@cbh.com

Exhibit D

Your guide forward



FCS Building Association

Overview of Audit Results

We have completed our audit procedures related to the FCS Building Association's year ended December 31, 2019, financial statements.

Our procedures and scope were substantially consistent with our planned audit strategy, and we did not experience any significant problems during the audit process.

We issued an unmodified (clean) opinion on the Company's financial statements.

We received excellent cooperation from the Company's personnel.

General Financial Statement Comments

- ▶ Strong Balance Sheet as of December 31, 2019
 - Cash reserve balance of \$695K
 - Current ratio of 2:1
 - Total liabilities-to-equity ratio 1:8
- ▶ Operating loss of \$390k for the year ended December 31, 2019, in line with budgeted loss of \$583K
- ▶ No new or unusual transactions noted for fiscal year 2019
- ▶ Significant new disclosures for fiscal year 2019 related to revenue recognition



Areas of Focus for the 2019 Audit

Procedures
with respect
to internal
control

Leasing
activities

Capital
expenditures
and repairs
and
maintenance

No significant
deficiencies
or material
weaknesses
identified

Required Communications

The auditor's responsibility under generally accepted auditing standards – reasonable assurance that financial statements are materially correct

Significant accounting policies are disclosed in Note 2 of the F/S's

We have considered management judgments and accounting estimates included in the financial statements and believe them to be reasonable

There were no disagreements with management during the engagement

There were no major issues discussed with management prior to our Firm being retained

No irregularities or fraud identified as part of the audit

Recent Accounting Pronouncements

On January 1, 2019, the Company adopted ASC Topic 606, *Revenue from Contracts with Customers*, using a modified retrospective method applied to those contracts that were not substantially complete as of January 1, 2019.

Results for reporting periods beginning after January 1, 2019 are presented under ASC 606. Rental income is not within the scope of the ASC 606.

Recent Accounting Pronouncements

This new standard did not lead to changes in the timing of revenue recognition related to member bank assessments or telecommunications income.

For member bank assessments, the Company continues to recognize revenue on a quarterly basis as the Company is contractually able to invoice the banks based on the control transferred and payment is for the amount of value transferred to the member banks at the invoice date.

For telecommunications income, the Company continues to recognize revenue on a monthly basis as the Company is contractually able to invoice the tenants based on the control transferred and payment is for the amount of value transferred to the tenants at the invoice date.

Recent Accounting Pronouncements

The Company also adopted Accounting Standards Update (“ASU”) 2016-18, Statement of Cash Flows (Topic 230), for the year ending December 31, 2019. Therefore, restricted cash is included in the beginning and ending balances reported on the statements of cash flows.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, “Leases (Topic 842).” ASU 2016-02 is intended to improve financial reporting about leasing transactions.

The ASU affects all companies and other organizations that lease assets such as real estate, airplanes and manufacturing equipment.

The ASU will require organizations that lease assets, referred to as “Lessees,” to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases.

Recent Accounting Pronouncements (cont'd)

An organization is to provide disclosures designed to enable users of financial statements to understand the amount, timing and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements concerning additional information about the amounts recorded in the financial statements.

Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months.

Recent Accounting Pronouncements (cont'd)

Consistent with current GAAP, the recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP, which requires only capital leases to be recognized on the balance sheet, the new ASU will require both types of leases (i.e., operating and capital) to be recognized on the balance sheet.

Non-public companies will be required to adopt the new leasing standard for fiscal years beginning after December 15, 2020.



Debt Market Conditions Update and System Funding Status

May 14, 2020





Recent High Finance Headlines

***“U.S. Coronavirus Cases
Surpass 1.2 Million”***





Recent High Finance Headlines

“Law Firms Gear Up for Expected Jump in Bankruptcies Triggered by Coronavirus”





Recent High Finance Headlines

“As the meat-supply crunch hits grocery stores, expect higher prices for burgers and steaks, purchase limits and smaller selection”





Recent High Finance Headlines

“Treasury is expected to boost size of debt auctions to meet funding needs”





Recent High Finance Headlines

***“Coronavirus Projected to
Send Eurozone Into Steep
Recession”***





Recent High Finance Headlines

“ECB Offers to Pay Banks to Keep Credit Flowing, but Lenders Say ‘No’ ”





Recent High Finance Headlines

“The Glut Drowning the Oil Market”





Funding Update Topics

- Global Market
- Agency Debt Market
- Yields & Spreads on FCS Debt
- Funding Corporation Activity
- FCS Liquidity
- LIBOR/SOFR
- Coronavirus





Global Market

- Federal Reserve
- E.C.B., Bank of England, Bank of Japan
- U.S. Treasury
- China





Credit Rating Agencies - Outlook for the United States

- Standard & Poors – AA+
Outlook – Stable
- Moody's – Aaa
Outlook – Stable
- Fitch – AAA
Outlook – Stable





System High Level Financials



- Assets – \$ 387.3 billion (+ 6.0%)
- Loans – \$ 292.6 billion (+ 2.0%)
- A.L.L. – \$ 1.8 billion (+ 2.3%)
- Cash & Invt. – \$ 84.0 billion **(+ 23.0%)**
- Capital – \$ 63.4 billion (+ 2.6%)
- Net Income – \$ 1.4 billion (+ 11.2%)



Agency Debt Outstanding

Billions of Dollars	2016	2017	2018	2019	4/2020
F.H.L.B.	\$ 989	\$1,034	\$ 1,032	\$ 1,026	\$1,118
FCS	258	265	282	294	314
Freddie Mac	356	317	255	283	286
Fannie Mae	329	278	233	182	229*
Tenn. V.A.	25	25	23	22	22*
Farmer Mac	15	16	16	19	21*
Total	\$1,972	\$1,935	\$1,841	\$1,826	\$1,990

Source: Agency Websites

* 3/31/2020



Funding Activity by FCS

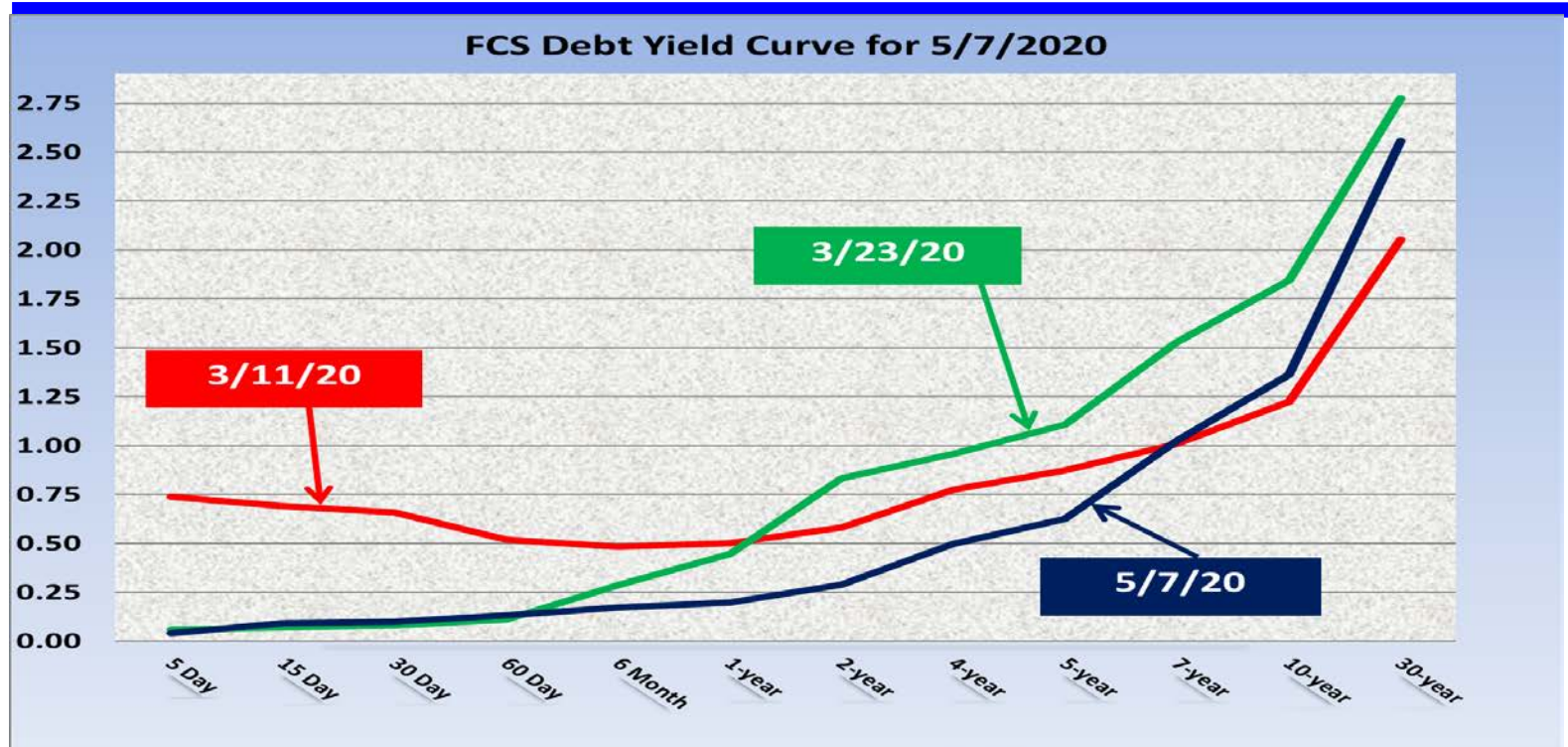


(\$ millions)	Discount Notes	Designated Bonds	Fixed Rate Bonds		Floating Rate Bonds			Retail Bonds	Other ¹	Total
			Callable	Non-Callable	LIBOR	SOFR	Prime, FF, 91-day,			
4/30/2020	35,083	1,100	72,982	83,167	70,893	23,457	27,937	58	149	313,298
12/31/2019	19,098	0	77,903	79,068	80,613	7,957	28,657	122	159	293,577
12/31/2018	22,774	0	78,971	71,099	82,216	0	26,401	201	119	281,780
12/31/2017	25,632	1,000	72,228	67,144	79,425	0	19,775	210	19	265,434
12/31/2016	29,603	4,500	59,964	68,003	81,324	0	14,520	252	22	257,918
¹ Includes Linked Deposits										

Source: FFCBFC Website



FCS Debt Yields Pushed Lower





Risk Premiums Stabilize



FCS Basis Points Spread over Treasuries





Heavy Call Activity

- **Calls in '20 – \$53 billion and counting**
- Calls in '19 – \$ 54 billion
- Calls in '18 – \$ 29 million
- Calls in '17 – \$ 5 billion
- Calls in '16 – \$ 58 billion
- Net Interest Spreads
 - **2.16% for '20**, 2.04% for '19, 2.12% for '18, 2.25% for '17, 2.31% for '16.
- Net Interest Margins
 - **2.47% for '20**, 2.42% for '19, 2.46% for '18, 2.48% for '17, 2.49% for '16.





Debt Maturity

- Weighted average maturity of FCS Debt
- ❖ **Mar./2020 – 2.73 years**
 - ❖ Dec./2019 – 2.82 years
 - ❖ Dec./2018 – 2.86 years
 - ❖ Dec./2017 – 2.88 years
 - ❖ Dec./2016 – 2.72 years





Debt Maturity

➤ Percentage of FCS debt maturing within 1 year.

- ❖ **Mar./2020 – 41.9 percent**
- ❖ Dec./2019 – 38.8 percent
- ❖ Dec./2018 – 38.8 percent
- ❖ Dec./2017 – 39.1 percent
- ❖ Dec./2016 – 40.3 percent





Days of Liquidity

- As of 3/31/20 System = 197(188) days:
 - AgFirst = 208(190) days, AgriBank = 163(145) days, FCB of TX = 240(225) days, CoBank = 215(209) days
- As of 12/31/19 System = 177 (166) days:
 - AgFirst = 222(197) days, AgriBank = 166(135) days, FCB of TX = 211(196) days, CoBank = 176(168) days





SOFR

- Secured Overnight Financing Rate use growing.
- Global U.S. LIBOR referenced instruments still dominate.
- System's J & S LIBOR directly based debt totals \$70.9 billion.
- Funding Corp. has \$23.5 billion in SOFR indexed bonds.





Coronavirus

- Ongoing Global Issue
- Major Economic Shock
- Still Evolving
- Expanded Debt Issuance
- Credit Leg





Summary

- Solid Demand for FCS Debt
- FCS Debt Yields Falling
- Risk Premiums Stabilize
- Interest Rate Spreads Widen
- Bottom Line Benefitted More
- Substantial Liquidity
- SOFR's Increased Acceptance
- Coronavirus Wildcard





FCA Board Meeting May 14, 2020

Exhibit F

Report on FCA Response to COVID-19 and the Paycheck Protection Program May 14, 2020

David P. Grahn
Office of Regulatory Policy





FCA Guidance Overview

- ▶ Provide reasonable accommodations that help the System serve its members.
- ▶ Where appropriate, be consistent with other Federal Financial Regulators.
- ▶ Communicate with the System on guidance needs.
- ▶ Coordinate guidance across FCA.
- ▶ Place COVID-19 and Paycheck Protection guidance in one place on our public website.





Specific COVID-19 Guidance Issued

- ▶ March 17 and 20 News Releases how FCA is Responding to COVID-19
- ▶ March 27 – Issued an Informational Memorandum on Critical Infrastructure Designation
- ▶ April 1 – Issued an Informational Memorandum on troubled debt restructuring (TDRs)





Specific COVID-19 Guidance Issued

- ▶ April 28 – Issued initial response to Farm Credit Council's COVID-19 requests.
- ▶ May 4 – Posted COVID-19 IM with supplemental guidance on FCA's COVID-19 webpage.
 - Supplement provides updated guidance on TDRs.
- ▶ Throughout, OE has issued guidance on a variety of subjects, including on institution annual meetings. This guidance is memorialized on COVID-19 webpage.





Paycheck Protection Program Update

- ▶ Paycheck Protection Programs helps small businesses keep workers on the payroll for 8 weeks.
- ▶ There have been two funding rounds.
 - The first round had \$349 billion and the second round has \$310 billion.
- ▶ April 3 – Began issuing guidance to the System on System institutions participation in the PPP.
 - April 7 – Issued clarification that the Farm Credit Act and FCA regulations apply ***unless we specifically state otherwise.***





Paycheck Protection Program Update

- ▶ FCA's PPP webpage provides guidance on a variety of issues (borrower rights, reporting, directors)
- ▶ Farm Credit Council believes that the System made about \$500 million loans in first round and expects the same in the second round.
- ▶ Wide range of loan amounts.
- ▶ May 7, System provided reporting on the first round of PPP Loans.





Questions



THANK YOU

Farm Credit Administration

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



CERTIFICATE OF CLOSED MEETING

The General Counsel, in accordance with the Government in the Sunshine Act, 5 U.S.C. § 552b(f)(1), hereby certifies that the Farm Credit Administration Board regular meeting of May 14, 2020, was properly closed to the public on the basis of the exemptions set forth below:

- Supervisory and Oversight Activities of FCS Institution(s) – 5 U.S.C. § 552b(c)(8) and (9).
- Information related solely to the internal practices of an Agency – 5 U.S.C. § 552b(c)(2).

May 14, 2020
Date

/s/
Charles R. Rawls
General Counsel