

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



**MINUTES OF THE REGULAR MEETING  
OF THE  
FARM CREDIT ADMINISTRATION BOARD  
June 10, 2021**

These minutes reflect the business transacted at the June 10, 2021, 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 10:54 a.m.

Members of the Board present were:

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

Others present included **Clark Ogilvie** General Counsel; **Dale Aultman**, Secretary to the Board; staff of the FCA and the Farm Credit System Insurance Corporation; and nine 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 hybrid physical / virtual meeting with some personnel in the Board room (observing safety precautions), and most personnel teleworking due to the COVID 19 pandemic.

**Chairman Smith** asked everyone to say the Pledge of Allegiance with him as the Flag was displayed on the presentation screen.

**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 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* 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 May 13, 2021 Regular Board Meeting (BM-10-JUN-21-01)**

**Mr. Hall** moved to approve the minutes for the May 13, 2021, 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-10-JUN-21-01)**

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

### **New Business**

#### **Bank Liquidity Reserve - Advance Notice of Proposed Rulemaking (BM-10-JUN-21-02)**

**Ryan Leist** of the **Office of Regulatory Policy**, and **Richard Katz** of the **Office of General Counsel** presented the Bank Liquidity Reserve - Advance Notice of Proposed Rulemaking.

**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 Bank Liquidity Reserve - Advance Notice of Proposed Rulemaking 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-10-JUN-21-02)**

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

## **Reports**

### **Quarterly Report on Economic Conditions and FCS Condition and Performance**

**Steve Koenig** of the **Office of Data Analytics and Economics** and **Hal Johnson** of the **Office of Examination** presented the Quarterly Report on Economic Conditions and FCS Condition and Performance.

**Chairman Smith** opened the discussion for questions and comments by the Board.

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

### **Semi-Annual Report on Office of Examination Operations**

**Ashley Waldron** of the **Office of Examination** presented the Semi-Annual Report on the Office of Examination Operations.

**Chairman Smith** opened the discussion for questions and comments by the Board.

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

## **CLOSED SESSION**

**Chairman Smith** thanked members of the public for connecting and noted that this was a Closed Session and asked OIT staff to disconnect the public, and asked FCA and FCSIC staffers to leave the meeting (by disconnecting or leaving the Boardroom) if they do not normally observe the Closed Session.

**Chairman Smith** asked OIT staff to confirm that the public had been disconnected so the Board could meet in Closed Session with the Office of Examination. **OIT staff** provided that confirmation.

**Chairman Smith** convened the closed session of the meeting at 10:29 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.

The **Secretary** noted the start time of the Closed Session, indicated he had the **General Counsel** certification, and called the roll. (Attendees are shown on Exhibit A.)

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

### **Office of Examination Quarterly Report**

**Roger Paulsen** of the **Office of Examination** presented OE Quarterly Report.

**Chairman Smith** opened the discussion for questions and comments by the Board.

## **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 10:54 a.m.

## **NOTATIONAL VOTE ACTIONS**

There were five notational vote actions approved by the FCA Board from May 13, 2021, through June 9, 2021 as follows:

<b>Item Number</b>	<b>Action Date</b>	<b>Voting Results</b>	<b>Subject</b>
NV 21-12	05/20/2021	Approved	Not object to proposed offering circular of Compeer Financial ACA, to issue up to \$200 million in preferred stock
NV 21-13	05/26/2021	Approved	Not object to proposed offering circular of American AgCredit, ACA to issue up to \$300 million in preferred stock
NV 21-14	05/26/2021	Approved	Not object to proposed offering circular of American AgCredit, ACA, and its subsidiaries to issue up to \$200 million in subordinated notes
NV 21-15	06/03/2021	Approved	Authorize the Chief Financial Officer to reallocate funds
NV 21-16	06/08/2021	Approved	CoBank Community Facilities Streamlined Investment Request to invest up to \$200 million in bonds that involve facilities in rural areas

The undersigned hereby certify that the foregoing minutes are the official minutes of the Regular Meeting of the Farm Credit Administration Board held on June 10, 2021.

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

  /s/    
Dale Aultman  
Secretary to the Board

Approved:           July 8, 2021

**ATTENDANCE LIST - FCA REGULAR BOARD MEETING  
June 10, 2021**

Glen R. Smith, Board Chairman / CEO

Jeffery S. Hall, Board Member

<b>OFFICE</b>	<b>OPEN SESSION</b>	<b>CLOSED SESSION</b>
<b>Office of the Board</b>		
Smith, Glen	X	X
Hall, Jeff	X	X
Morris, James	X	X
Donner, Mary Alice	X	X
Johnson, Miranda	X	
Roque-Brehm, Awilda	X	
Calhoun, Gaye	X	
Aultman, Dale	X	X
<b>COO</b>		
Coleman, Robert	X	X
<b>OIT</b>		
Golley, Jerald	X	X
Matos, Ricardo	X	X
Versace, Jerry	X	X
Johnson, Mike	X	
<b>OCPA</b>		
Stokke, Michael	X	X
Middleton, Russell	X	X
<b>OGC</b>		
Ogilvie, Clark	X	X
Strickland, Joy	X	X
Katz, Richard	X	
<b>OE</b>		
Paulsen, Roger	X	X
Fennewald, Dan	X	X
Waldron, Ashley	X	X
Johnson, Hal	X	X
<b>ODAE</b>		
D'Antoni, Jeremy	X	X
Koenig, Steve	X	
Shields, Dennis	X	X
<b>OIG</b>		
Laguarda, Wendy	X	X
Miller, Kevin	X	X
<b>OSMO</b>		
Rea, Laurie	X	X
Greenlee, Angela	X	X

<b>OFFICE</b>	<b>OPEN SESSION</b>	<b>CLOSED SESSION</b>
<b>ORP</b>		
Kramp, Kevin	X	X
Edelstein, Jeremy	X	X
Leist, Ryan	X	
West, Corbin	X	X
<b>OCFO</b>		
Smith, Stephen	X	X
Gandy, Doug	X	X
<b>OAS</b>		
Bell, Vonda	X	X
Clark, Patrina	X	X
<b>FCSIC</b>		
Rubin, Howard	X	X
Grimaldi, Andrew	X	X
Wynn, Wade	X	X
Smith, Greg	X	X
Morgan, Matt	X	X

# 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 June 10, 2021

**SUMMARY:** Notice is hereby given, pursuant to the Government in the Sunshine Act, of the forthcoming regular meeting of the Farm Credit Administration Board.

**DATE:** The regular meeting of the Board will be held June 10, 2021, from 9:00 a.m. until such time as the Board may conclude its business.

**ADDRESSES:** *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 in SUPPLEMENTARY INFORMATION for board meeting visitors.*

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

**SUPPLEMENTARY INFORMATION:** Instructions for attending the virtual meeting: 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, at least 24 hours before the meeting, go to [FCA.gov](https://www.fca.gov), select "Newsroom," then "Events." There you will find a description of the meeting and a link to "Instructions for board meeting visitors." 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 May 13, 2021

##### New Business

- 2 Bank Liquidity Reserve - Advance Notice of Proposed Rulemaking

##### Reports

- 3 Quarterly Report on Economic Conditions and FCS Condition and Performance
- 4 Semi-Annual Report on Office of Examination Operations

##### CLOSED SESSION

- 5 Office of Examination Quarterly Report<sup>1</sup>

\_\_\_\_\_  
/s/

Dale Aultman  
Secretary to the Board

<u>May 28, 2021</u> Date
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<sup>1</sup> Closed session is exempt pursuant to 5 U.S.C. Section 552b(c)(8) and (9).

# **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 May 13, 2021**

**BM-10-JUN-21-01**

**Effective Date:** June 10, 2021

**Effect on Previous Action:** None

#### **THE FCA BOARD HEREBY:**

Approves the minutes for May 13, 2021.

**DATED THIS 10th DAY OF JUNE 2021**

**BY ORDER OF THE BOARD**

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



## 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

### Bank Liquidity Reserve - Advance Notice of Proposed Rulemaking

**BM-10-JUN 21-02**

**Effective Date:** June 10, 2021

#### THE FCA BOARD HEREBY:

- Approves the Advance Notice of Proposed Rulemaking that requests public comment on how to amend or restructure our liquidity regulations so Farm Credit System banks can better withstand crises that adversely impact liquidity and pose a risk to their viability; and
- Authorizes staff to make any technical or grammatical changes to the Notice that may be necessary prior to publication in the *Federal Register*.

**DATED THIS 10th DAY OF JUNE 2021**

**BY ORDER OF THE BOARD**

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



# FCA Board Meeting June 2021

Exhibit E

## Quarterly Report on FCS Condition June 10, 2021

Steve Koenig  
Hal Johnson





# FCA Board Meeting June 2021

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## Quarterly Report on FCS Condition June 10, 2021

**Steve Koenig  
Hal Johnson**





# Topics for Open Session

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- Economic Conditions Affecting the Farm Credit System
  - Macro economy
  - Commodity markets
  - Farm economy
- FCS Condition and Performance
  - System growth and loan portfolio
  - Earnings and capital
  - Financial Institution Rating System (FIRS)





# Economic Conditions Affecting the Farm Credit System

**Steve Koenig**

**Senior Agricultural Economist  
Office of Data Analytics and Economics**



# Rapid economic growth

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- U.S. Q1 growth at historically high pace - 6.4%
- U.S. imports set monthly record of \$275B in March
- April retail sales up 18% over February 2020
- Equity markets roll on to records with cryptocurrencies
- Demand drivers:
  - Consumers unleashed
  - \$5 trillion in stimulus and related policies
  - Improving labor market and consumer confidence
  - Historically low interest rates





# Supply chains and labor markets tighten

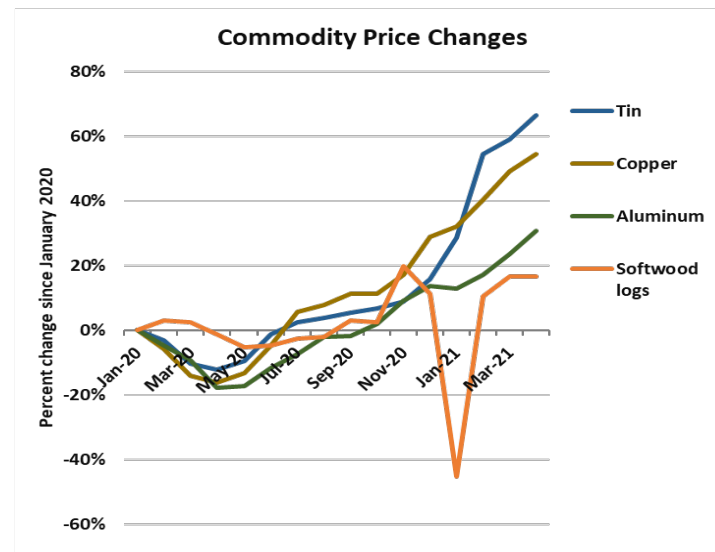
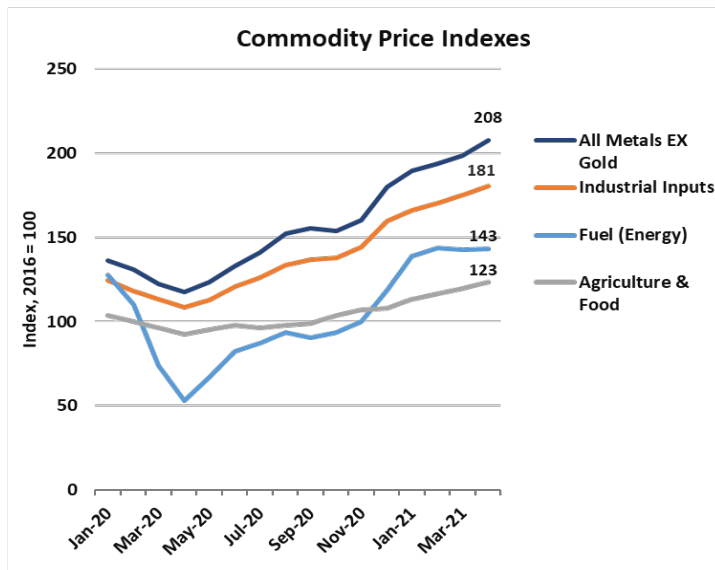
- Worldwide supply chains stretched thin
  - Production bottlenecks and low inventory hangovers from 2020
  - Key component shortages from micro chips to plastic resins
  - Distribution and shipping constraints:
    - Baltic Dry Index (cost of moving by sea) reached 10-year high in April
    - U.S. domestic freight expenditures index rose 6.5% in March
- U.S. labor markets tighten
  - More job openings but smaller workforce than before pandemic
  - Workforce participation restrained by government policies and other factors
  - Labor shortages emerge – manufacturing, construction, trucking, and food services
  - Wages and compensation rising – April wages up 5.8% from February 2020





# Raw material prices rise

- Widespread commodity price increases – some to records
- Supply and demand imbalances and future expectations
- China is leading commodity importer – 45% of maritime dry-bulk market



Source: International Monetary Fund database.





# Inflation rekindled?

- April CPI rose at 4.2% annual rate -- a 13 year high (6.2% for first 4 months)
- Too much money chasing too few goods
  - The median sales price of existing-homes rose 19.1% year-over-year in April to \$341,600, both record highs (National Association of Realtors)
  - Rising building materials costs and low inventory caused new home sales prices to jump 20% year-over-year in April (National Association of Home Builders)
  - Year-over-year April used car and truck prices up 21% in BLS data while Manheim Used Vehicle Value Index increased 52.2%
- As economy fully opens, more consumer spending will shift to services which should moderate goods price increases





# Will this latest inflation be “transitory”?

- Younger generations (borrowers) have never experienced sustained rates above 4%
- Once rooted, curtailing inflation can require substantial monetary policy adjustments
- Monetary policy includes soaking up some \$120 billion per month of federal stimulus

**FRED** — Consumer Price Index for All Urban Consumers: All Items in U.S. City Average



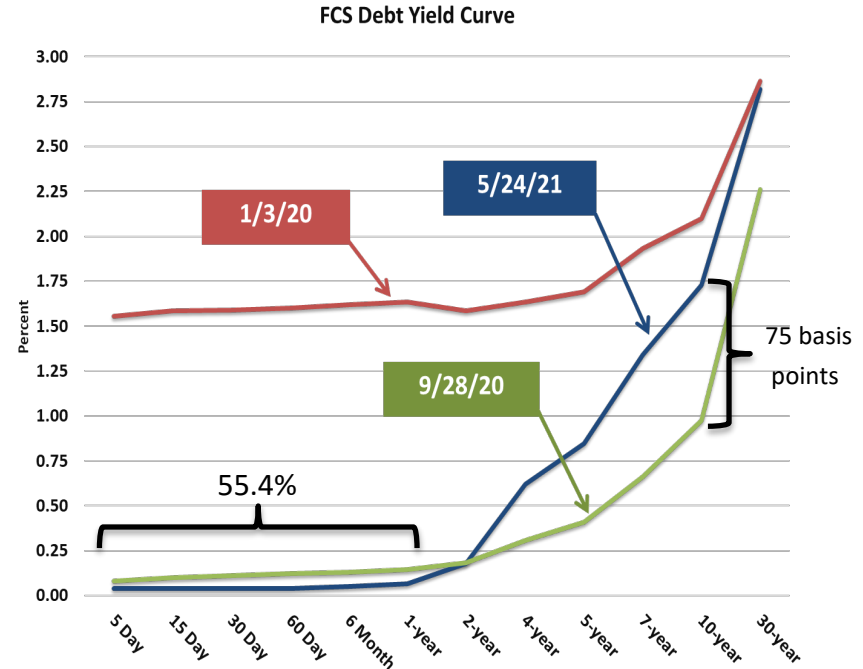
Source: St. Louis Federal Reserve Bank. Shaded areas are economic recessions.



# Higher inflation leads to higher interest rates

## Impact on System borrowers

- Yield curve has become steeper
- Changes in interest rates quickly impact borrowing costs on majority of System loans
- Share of loans repricing in:
  - Less than 1 year: 55.4%
  - 1 to 5 years: 24.9%
  - Over 5 years: 19.6%



Source: First Quarter 2021 Information Statement of the FCS.

Source: FCA.

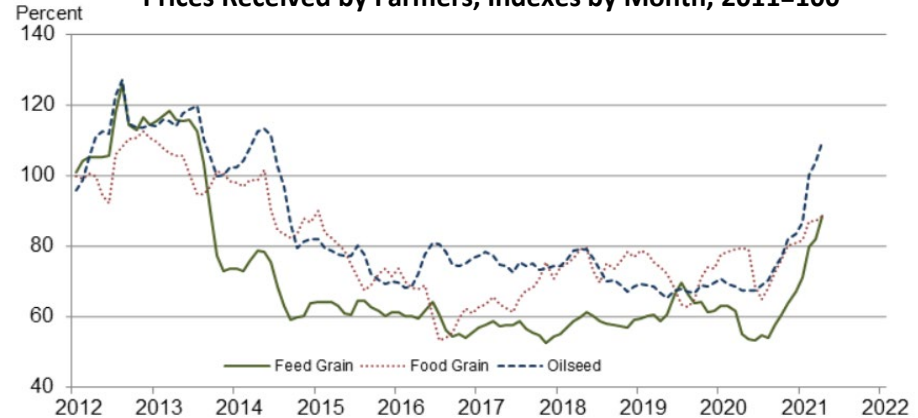


# Grain and oilseed prices soar on shortages

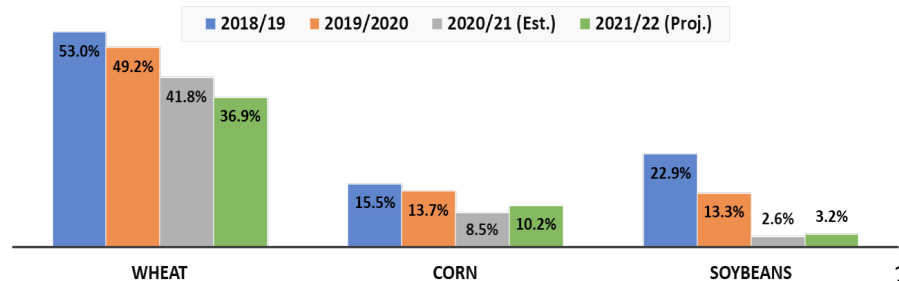
- Profitable pricing opportunities for the next two crops
- China feed grain and oilseed needs push exports to the country to records
- South American production (safrinha corn) shortfalls
- U.S. and global stocks forecast to remain tight for 2021/22
- Looking ahead on renewal fuel standards



Prices Received by Farmers, Indexes by Month, 2011=100



U.S. Stocks-to-Use Ratio



Source: USDA-NASS and USDA-WOAB.



# Farmland prices jump with crop prices

## ➤ How much have values risen?

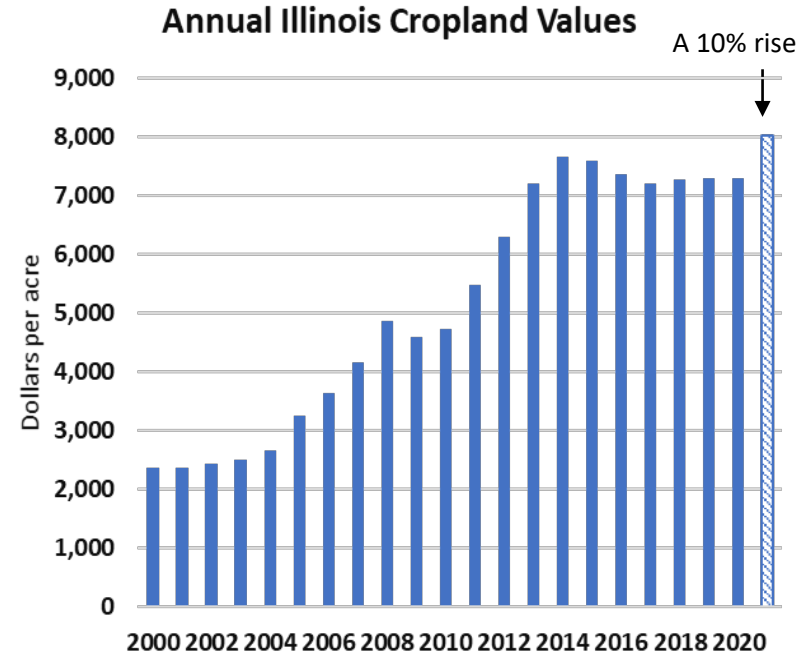
- Chicago Fed - 7% in 12 month
- Iowa survey - 8% in 6 months
- Prime land prices – 10% - 15% spikes

## ➤ Pricing factors

- Higher grain prices
- Government payments/stimulus
- Limited supply on market
- Greater investor interest
- Low interest rates

## ➤ Outlook

- Monetary and tax policy changes
- 2022 rental costs expected to rise



Data source: USDA.

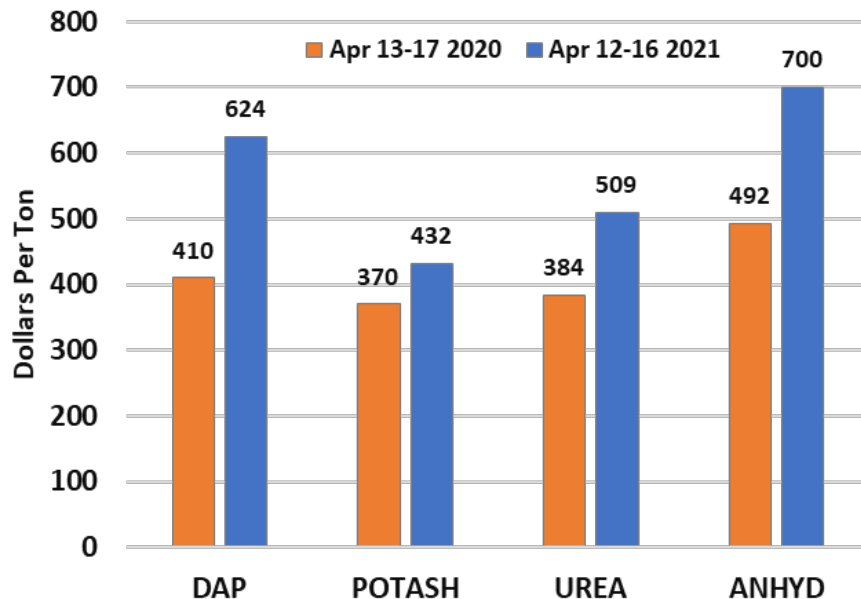


# Higher crop input costs this spring



- Ag chemicals with large supply chain exposures to China saw reduced availability, higher shipping costs, freight delays
- Major fertilizer prices moved higher throughout this spring
- Anhydrous ammonia retail price hits \$700 per ton in April for first time Since 2015
- Diesel fuel costs 25% higher in April 2021 vs. April 2020
- Modest seed price increases

Spring Fertilizer Prices



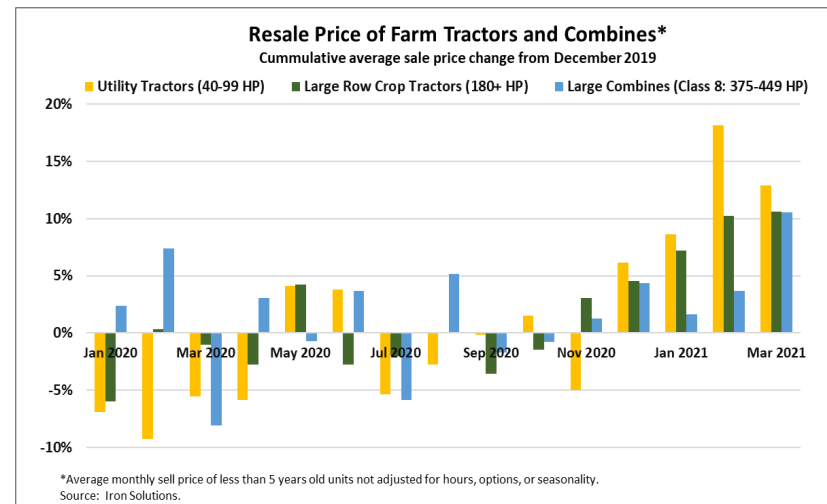
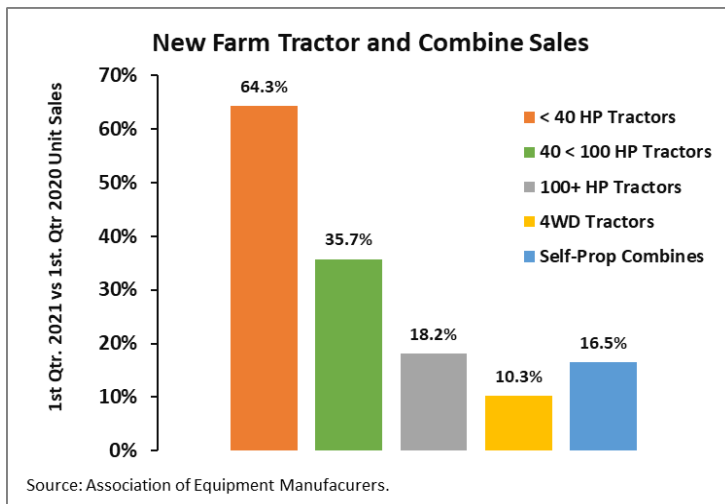
Source: DTN.





# Higher machinery sales and prices

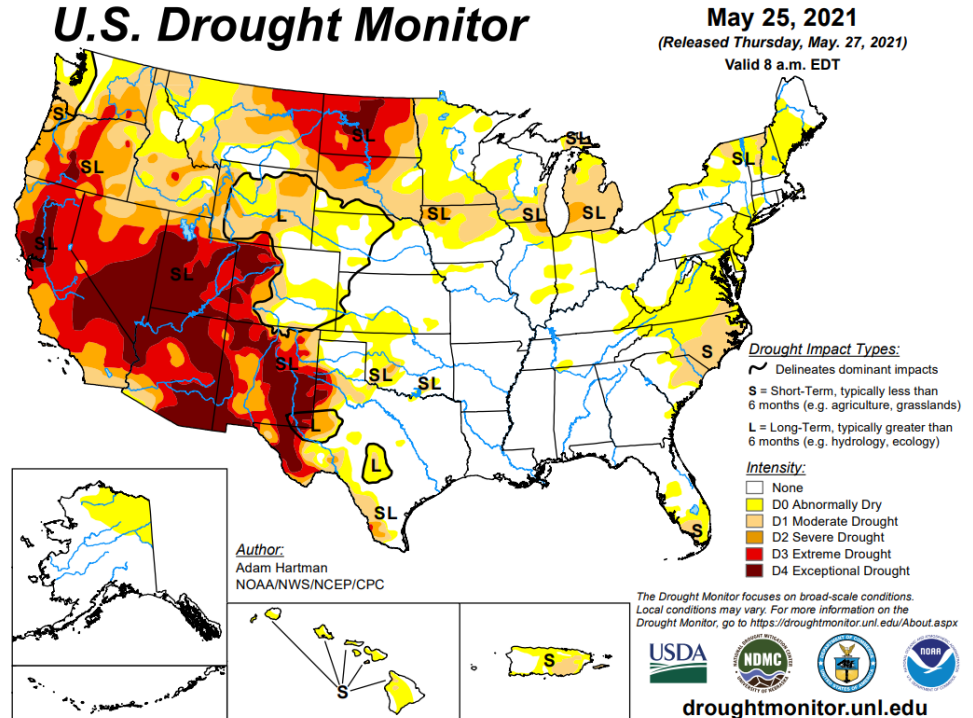
- Large farm tractor and combine sales rise on stronger farm incomes and government payments
- Small tractor sales rise on strong rural lifestyle demand aided by stimulus payments
- Low financing rates aids sales across all segments
- Resale prices (used) on farm equipment rose last fall into this spring





# All eyes on weather

- Stressed pastures and reduced hay production in cattle country
- With tight supplies, crop conditions here and abroad are being closely scrutinized
- Corn and bean crops off to a very good start
- Kansas wheat tour reports a record yield is coming (58 bu.)
- Western / California drought is a growing concern



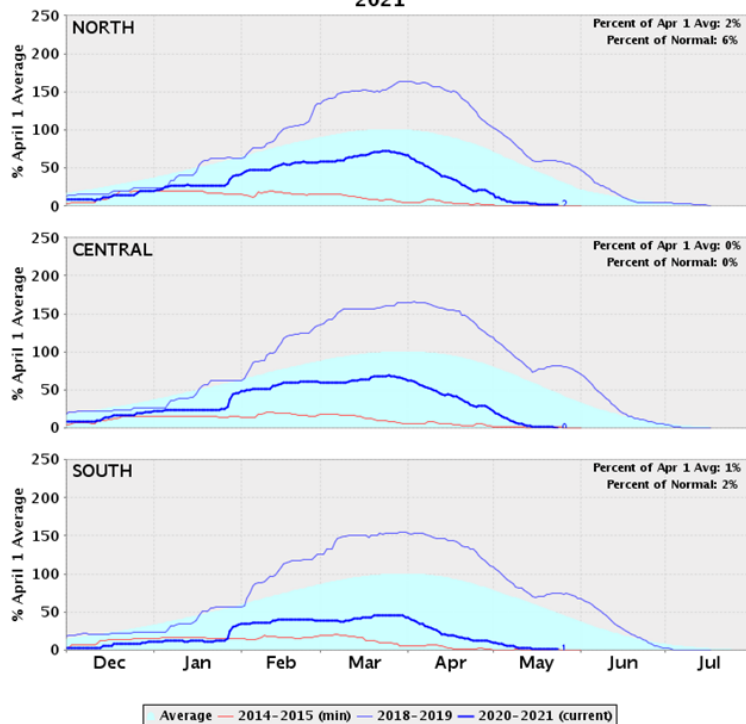




# California drought rerun?

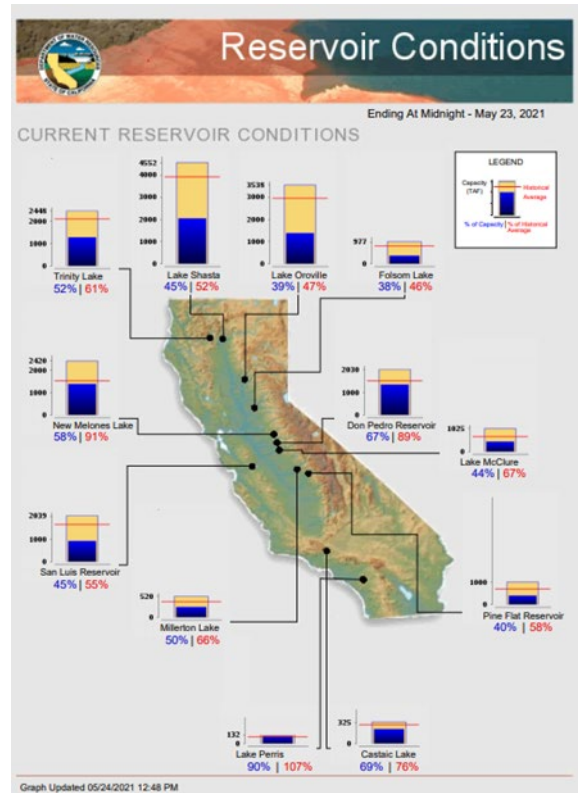


California Snow Water Content – Percent of April 1 Average For: 24-May-2021



Statewide Percent of average to date

2.0%



Source: <http://cdec.water.ca.gov/>



# Rising costs cloud protein outlook



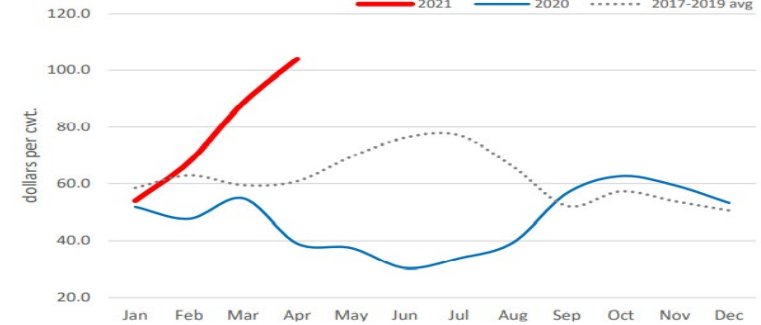
- Producers and processors face higher costs:
  - Higher feed bills
  - Rising labor costs/shortages and Covid mitigation expenses
  - Processing capacities
  - Transportation costs/bottlenecks/cyberattack disruptions
  - Rising cost of capital goods
- Demand turns up – but for how long?
  - Export market growth
  - Reopening of restaurants reshapes distribution once again
  - Return of social and family gatherings and grill season
  - Stimulus payments find their way into food budgets
  - Domestic food purchases and return of school lunches



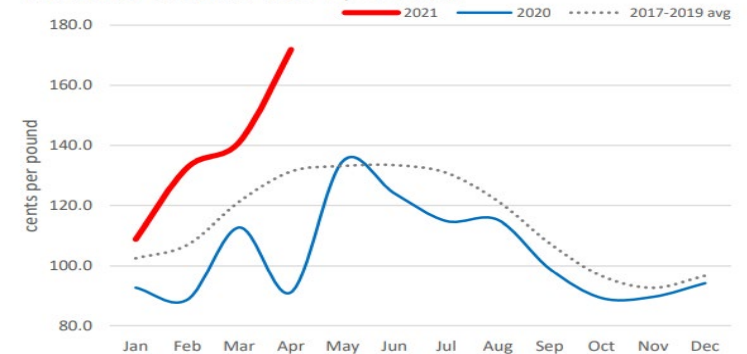
# Hog and broilers prices soar with low supplies

- Exports draw down stocks
- Low cold storage stocks of pork and chicken
- Chicken sandwich wars
- Supply/production constraints

Monthly Negotiated Barrow/Gilt Prices



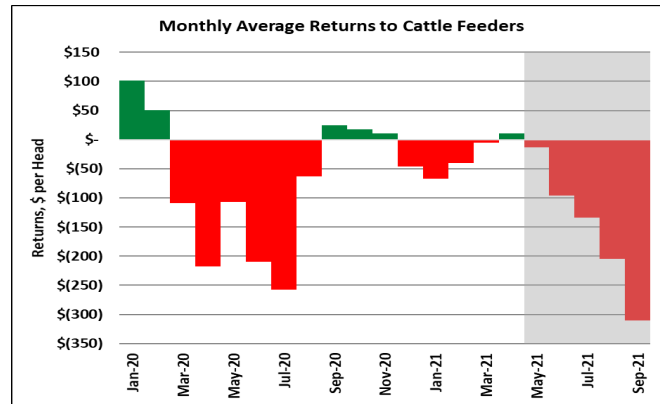
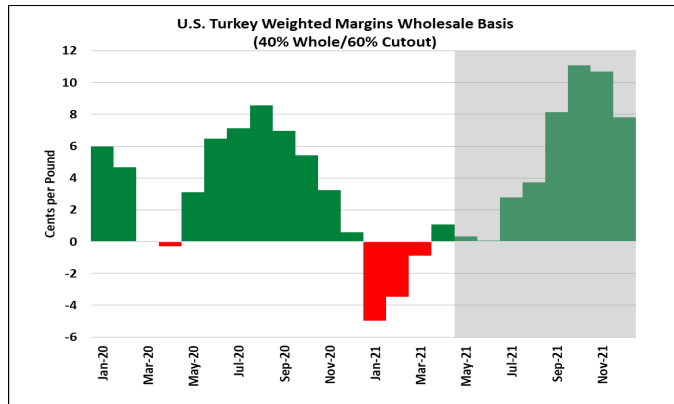
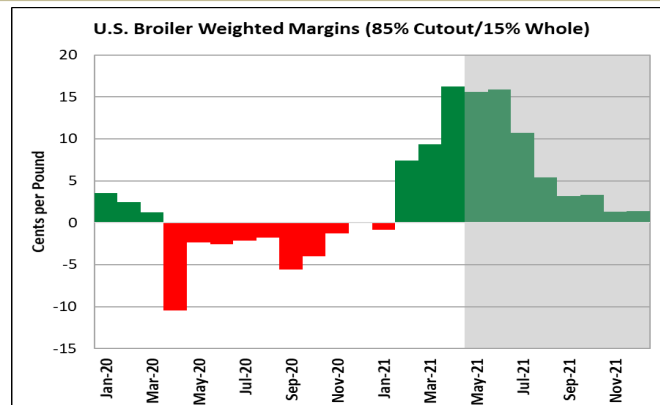
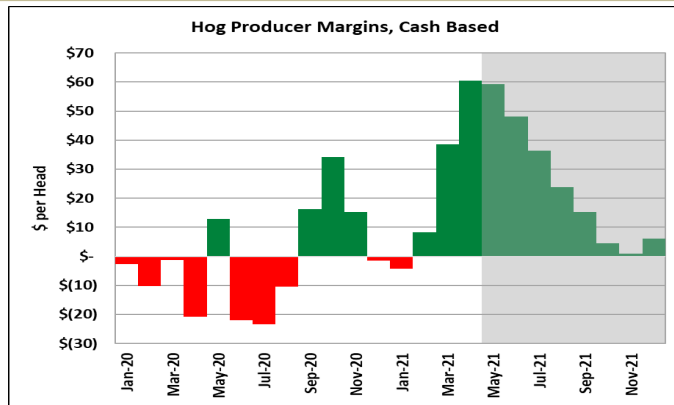
Northeast Chicken Price - B/S Breasts



Source: USDA/AMS.



# How long will protein margins hold?



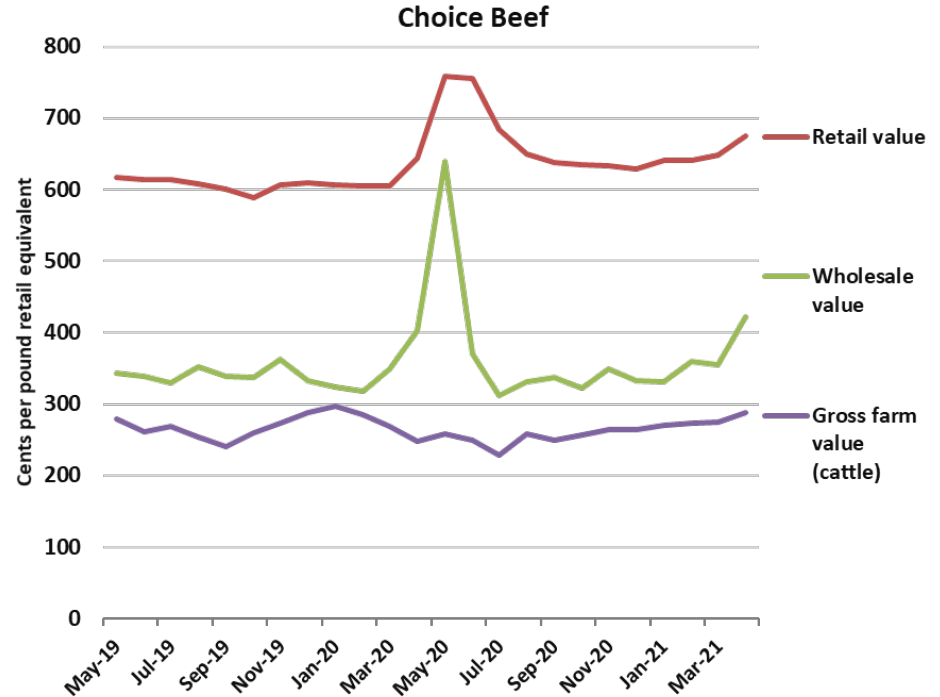
Shaded areas are forecasts. Source: IHS Markit May 2021.



# Cattle prices languish



- Cattle producers are not enjoying as much of a price increase relative to wholesale or retail levels
- Packer margins moved to historically high levels in April
- Feeder prices and feed costs present challenges under current pricing outlook

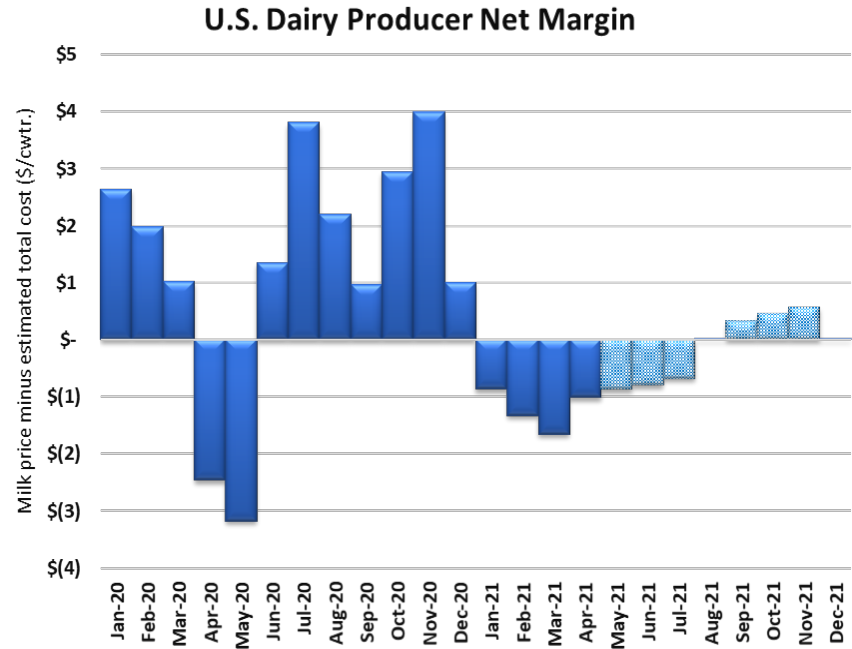


Source: USDA/ERS



# Dairy demand is soaking up higher production

- Cheese and powder milk production is up
- Strong dairy exports
- Food service and domestic demand is ramping up
- Margins expected to improve
- Headwinds for fluid milk



Shaded areas are a forecast.

Source: IHS Markit.





# Concluding comments

- U.S. economic rebound continues with stressed supply chains, tightening labor markets and upward pressure on prices.
- U.S. food system continues to adjust to demand shifts and supply disruptions in the post-pandemic environment.
  - Higher prices for many ag commodities
  - Higher costs for ag inputs
  - Not all outcomes are positive
- Price volatility and policy adjustments going forward.
- As always, weather here and abroad is critical.





# Questions







# Farm Credit System Condition and Performance

as of  
March 31, 2021

**Hal Johnson**  
Sr. Financial Analyst  
Office of Examination



# Topics

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- ▶ System growth
- ▶ Portfolio credit quality
- ▶ Earnings
- ▶ Capital | Liquidity
- ▶ FIRS

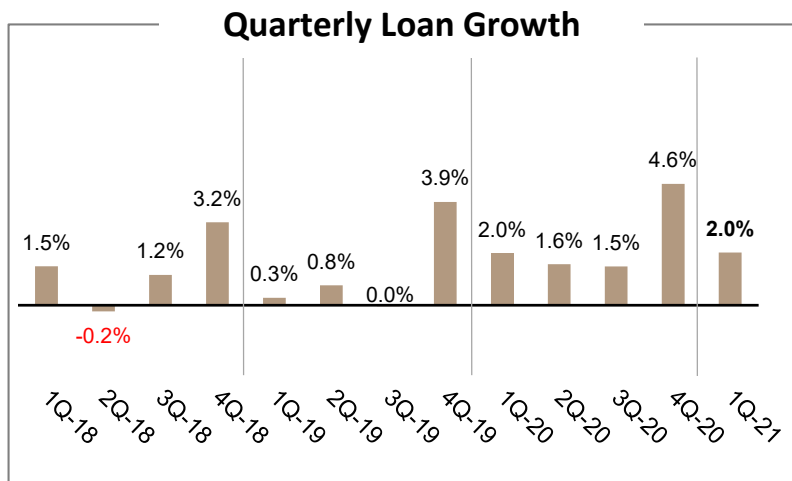




# Real estate mortgage and agribusiness lending drive 1<sup>st</sup> quarter loan growth



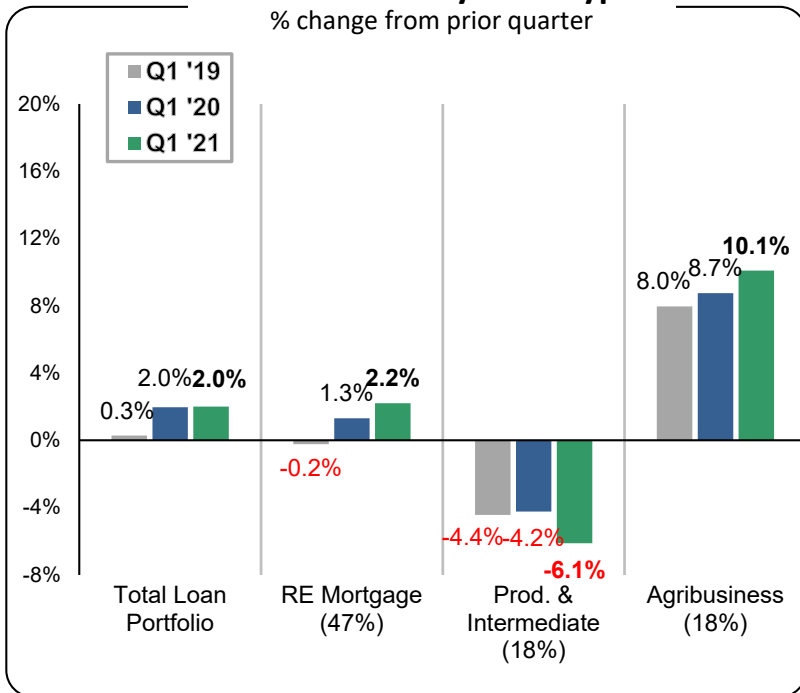
<b>Total Assets</b> 3/31/21	<b>\$404.4</b> billion	<b>+0.9% Qtr</b> <b>+4.4% 12M</b>	<b>Gross Loans</b> 3/31/21	<b>\$321.8</b> billion	<b>+2.0% Qtr</b> <b>+10.0% 12M</b>
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Source: FCS Information Statements

## Loan Growth by Loan Type

% change from prior quarter



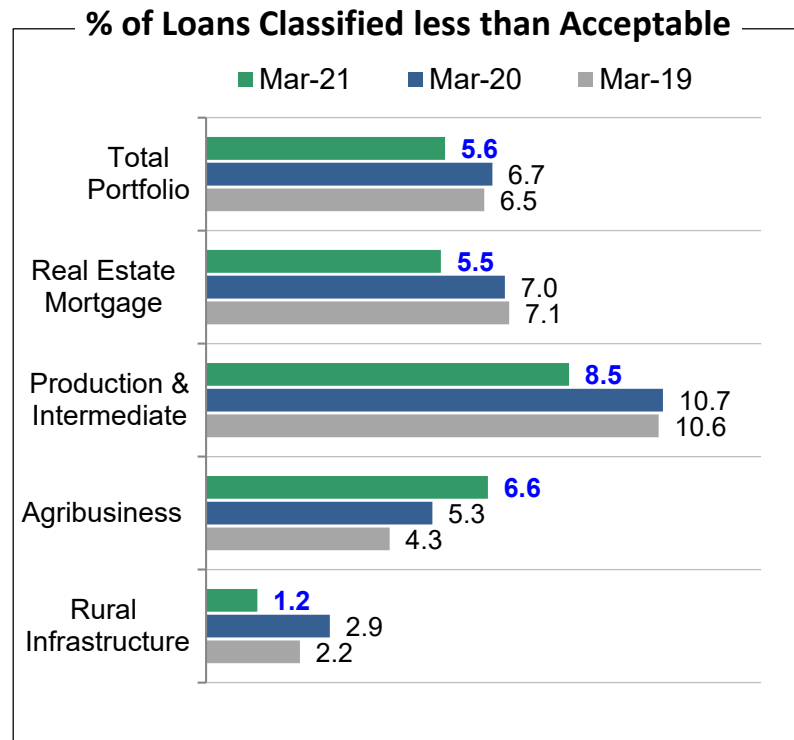


# Portfolio loan quality is strong; little change in 1<sup>st</sup> quarter credit measures



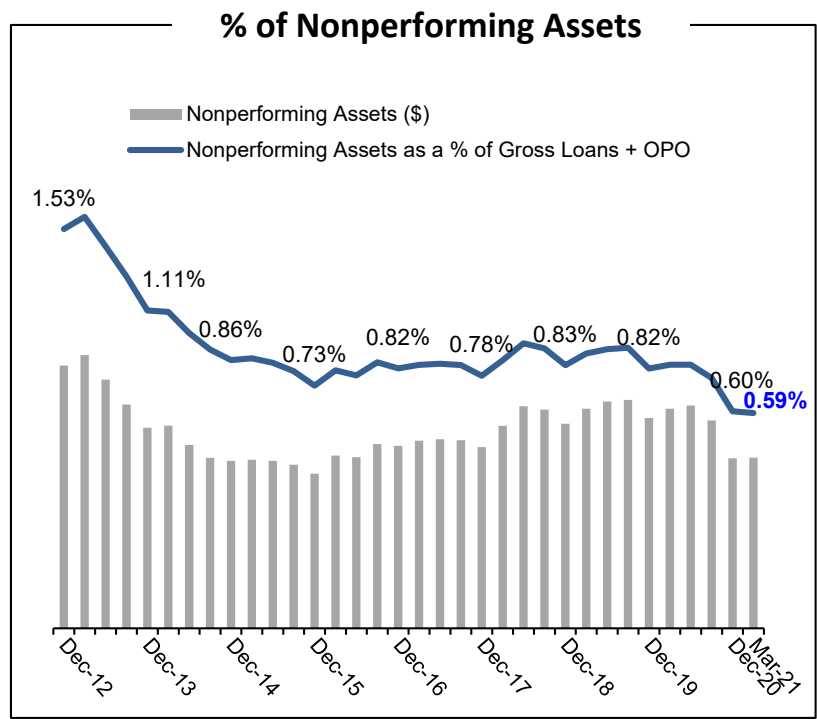
<b>Nonperforming Assets</b> (3/31/21)	<b>\$1.905</b> billion	Qtr chg.	+\$8M or +0.4%
		12 month chg.	-\$546M or -22.3%
<b>Delinquencies <sup>(1)</sup></b> (3/31/21)	<b>0.31%</b>	Q4 '20	0.28%
		Q1 '20	0.46%

(1) accruing loans 30 days or more past due as a % of accruing loans



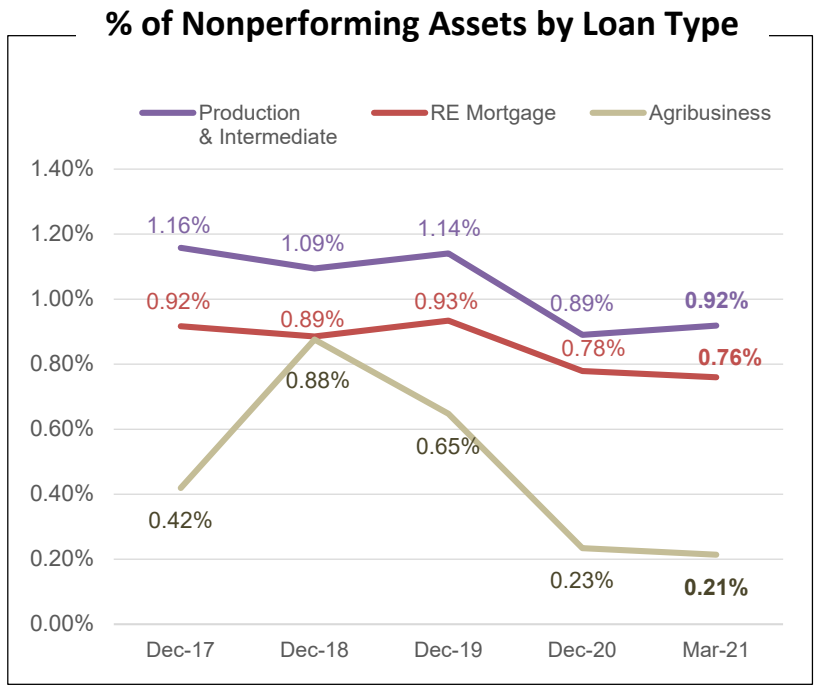


# The percentage of nonperforming assets decreases to the lowest level in 15 years



OPO - Other Property Owned

Source: FCS Information Statements

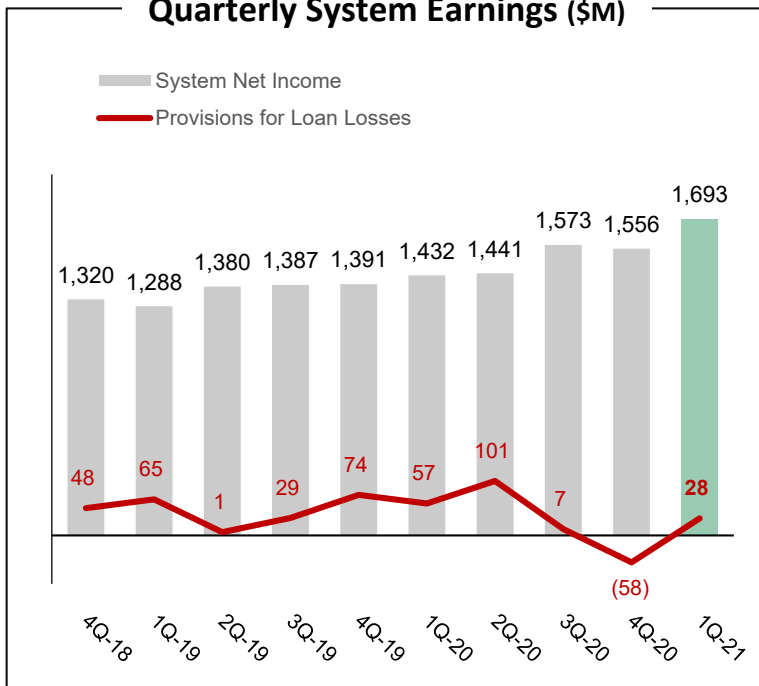




# Strong 1<sup>st</sup> quarter financial results



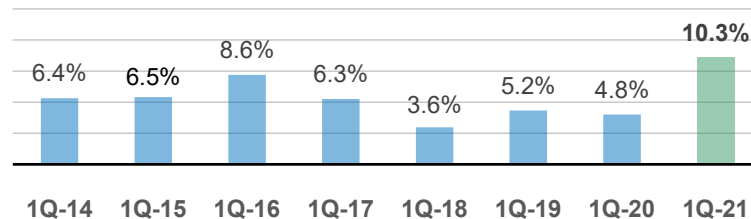
**Quarterly System Earnings (\$M)**



Source: FCS Information Statements

	Mar. '19	Mar. '20	Mar '21
<b>Net Interest Spread (YTD annualized)</b>	<b>2.00%</b>	<b>2.16%</b>	<b>2.32%</b>
<b>Net Interest Margin (YTD annualized)</b>	<b>2.40%</b>	<b>2.47%</b>	<b>2.45%</b>

**% increase in Average Earning Assets**  
(compared to the same period a year ago)





# Continued capital growth; strong liquidity

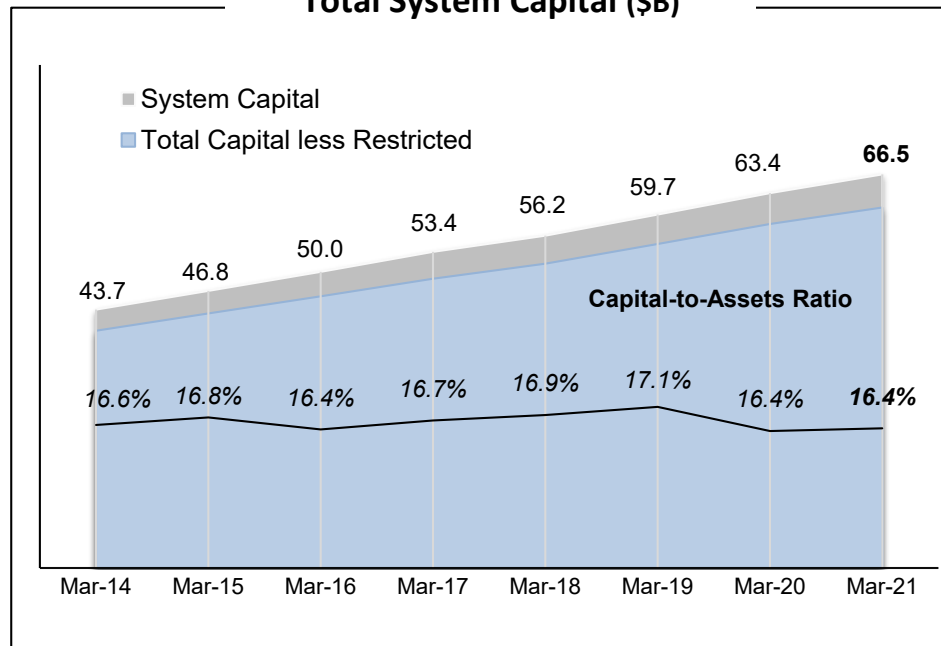
## Capital and Liquidity

( as of March 31, 2021 )

- ▶ Total Regulatory Capital:  
Banks | 14.1% to 17.5%  
Associations | 10.9% to 36.3%
- ▶ Days of liquidity for the four funding banks ranged from 169 to 211 days
- ▶ Capital and the allowance for loan losses as a % of loans outstanding ranged from 17.3% to 22.9% at a combined district level

Source: FCS Information Statements

## Total System Capital (\$B)



Note: Restricted capital represents capital associated with the Insurance Fund.





# System FIRS ratings

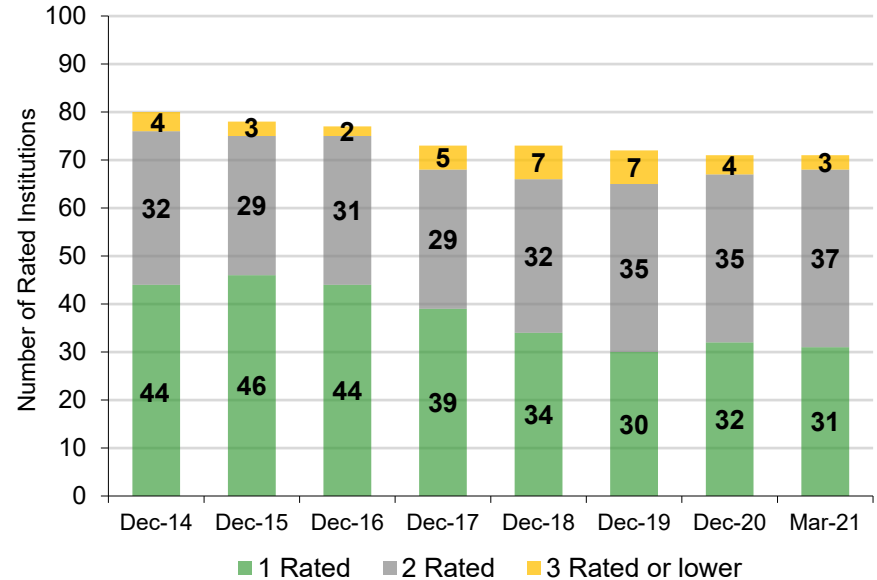
## FIRS Ratings

( based on 3/31/21 financial reporting )

- ▶ Composite FIRS ratings were largely unchanged in the 1st quarter
- ▶ Over 95% of System banks and associations have a Composite FIRS rating of 1 or 2
- ▶ Institutions rated 3 or lower hold less than 1.0% of System assets



## Composite FIRS Ratings Farm Credit System Banks and Associations



Source: FCA's FIRS ratings database





# Summary and final points

- ▶ U.S. economic activity rebounds strongly, but supply chain issues and inflationary pressures bear watching.
- ▶ Grain and oilseed prices soar but rising feed costs have hurt livestock producers.
- ▶ Continuing drought in the West is a major concern.
- ▶ System loan quality is very good, but certain sectors and geographic regions face significant challenges.
- ▶ The Farm Credit System is safe and financially sound. System institutions are well-positioned to support the credit needs of agricultural producers and rural America.





# Questions

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**THANK YOU**



# FCA Board Meeting June 2021

Exhibit F

## Semi-Annual Report on Office of Examination Operations June 10, 2021

**Ashley Waldron**  
Director of Operations  
Office of Examination





# FCA Board Meeting June 2021

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## Semi-Annual Report on Office of Examination Operations June 10, 2021

**Ashley Waldron**  
Director of Operations  
Office of Examination





# OE Operations | Focus Areas

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- ▶ Operating Plan objectives
  - Risk supervision and examination activities
  - Operational efficiency and effectiveness
  - Human capital update
- ▶ Summary





# Risk Supervision & Examination Activities



**System  
Profile  
as of  
3/31/21**

## 71 Lending Institutions

### 4 Funding Banks

Asset Size from \$29B to \$160B

### 67 Associations

Asset Size from \$38M to \$34B

**\$404.4**  
billion

**Total Assets**

**\$321.8**  
billion

**Gross Loans**

**\$1.7**  
billion

**YTD Earnings**

## FCS institution activities and guidance

(Fiscal year-to-date 3/31/2021)

- ▶ Conducted examination and/or oversight activities at all funding banks, all associations, and 11 other entities
- ▶ Issued 25 reports of examination and 23 interim activity letters
  - Four institutions are currently under a higher level of supervisory oversight
- ▶ Communications and guidance activities
  - Internal/external communications
  - External meetings and conferences
  - Examination manual updates



# Supervision & Examination Initiatives

## 2021 NOP Risk Topics and Strategies:

- ▶ **Credit | Risk management and loan servicing**
  - Assess risk identification, especially in portfolios with stressed industry/commodity concentrations
  - Examine loan servicing, particularly in view of pandemic-related deferral programs and borrower rights
  - Evaluate the identification and management of affiliated exposures
- ▶ **Operational risk | Response to the pandemic and other risks**
  - Review institutions' adjustments to operations, strategic business plans, controls, and risk assessments in response to the pandemic and other risks
  - Evaluate model risk management, applying our new guidance



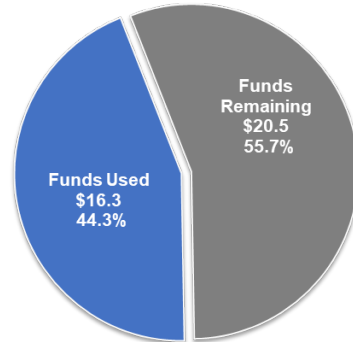




# Operational Efficiency & Effectiveness

- ▶ Examination tools | Ongoing technology initiatives
  - EDGe and management reporting
  - Data analytics, FCS loan database and tools
- ▶ OE budget results (Fiscal year-to-date 3/31/2021)
  - FY 2021 OE budget: \$36.9 million

FY 2021 OE Budget



## FTEs

Projected Fiscal Yr.	184.2
Planned Fiscal Yr.	185.9
Under plan	-1.7





# Human Capital Update

- ▶ Hiring, developing, and retaining associate examiners
- ▶ Post-commission training
- ▶ Staff development opportunities
- ▶ Staffing

## Total OE staff

Total OE Staff	Planned	Projected	Variance
Beginning FY 2021	185	182	(3)
Attrition   Retirements	(16)	(19)	(3)
Hires	18	20	2
Ending FY 2021	187	183	(4)

## Commissioned examiners

Commissioned Examiners <sup>1</sup>	Planned	Projected	Variance
Beginning FY 2021	96	96	0
Attrition   Retirements	(7)	(11)	(4)
Hires	0	1	1
Newly Commissioned	8	2	(6)
Ending FY 2021	97	88	(9)

<sup>1</sup> Projected attrition includes two commissioned examiners moving into senior management.



# Summary

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- ▶ Continued effectively conducting oversight and examination activities through the 1<sup>st</sup> half of FY 2021
- ▶ Conditions still requiring some modifications in examination approach, staff development, and recruiting
- ▶ Remain focused on ensuring OE has sufficient highly skilled staff to accomplish its mission
- ▶ On target to accomplish 2021 Operating Plan objectives and meet or exceed all agency performance measures





# Discussion

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**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 June 10, 2021, was properly closed to the public on the basis of the exemption set forth below:

- Supervisory and Oversight Activities of FCS Institution(s) – 5 U.S.C. § 552b(c)(8) and (9).

June 10, 2021  
Date

/s/  
Clark Ogilvie  
General Counsel