

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



**MINUTES OF THE REGULAR MEETING
OF THE
FARM CREDIT ADMINISTRATION BOARD
October 14, 2021**

These minutes reflect the business transacted at the October 14, 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 10:48 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 eight members of the general public. (A list of staff attendees is attached as Exhibit A.)

Before starting the meeting, **Chairman Smith** recognized the retirement of **Dale Aultman** and noted a few highlights of his nearly 34 years at FCA. **Mr. Hall** thanked **Dale Aultman** for his service and wished him best of luck in the future. **Dale Aultman** thanked them both and staff of FCA and FCSIC for their support during his 11 years as Board Secretary.

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 September 9, 2021 Regular Board Meeting (BM-14-OCT-21-01)

Mr. Hall moved to approve the minutes for the September 9, 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-14-OCT-21-01)**

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

Report

Small Association Outreach Report, Fulfilling the FCS Mission, Perspectives and Challenges

Joi Neal and **Autumn Agans** of the **Office of Regulatory Policy** and **Kevin Weissenborn** of the **Office of Examination** presented the Small Association Outreach Report, Fulfilling the FCS Mission, Perspectives and Challenges.

Chairman Smith opened the discussion for questions and comments from the Board.

There were no further questions or comments.

Chairman Smith and **Mr. Hall** had written statements, highlighting part of them at the meeting. (**Chairman Smith's** statement is attached at Exhibit D and **Mr. Hall's** statement is attached at Exhibit E.)

New Business

Risk-Weighting of High Volatility Commercial Real Estate – Proposed Rule – Comment Period Extension (BM-14-OCT-21-02)

Ryan Leist of the **Office of Regulatory Policy**, and **Jennifer Cohn** of the **Office of General Counsel** presented the Risk-Weighting of High Volatility Commercial Real Estate – Proposed Rule- Comment Period Extension.

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

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

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

Mr. Hall moved to approve the staff's recommendations regarding the Risk-Weighting of High Volatility Commercial Real Estate – Proposed Rule – Comment Period Extension.

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-14-OCT-21-02)**

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

CLOSED SESSION

Chairman Smith convened the closed session of the meeting at 9:41 a.m.

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 FCISIC 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 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. **OIT staff** confirmed the recording had started.

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 Secondary Market Oversight Periodic Report

Laurie Rea, Joe Connor, and Bruce Hudson of the **Office of Secondary Market Oversight** presented the OSMO Periodic Report.

Chairman Smith opened the discussion for questions and comments by 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 10:48 a.m.

NOTATIONAL VOTE ACTIONS

There were four notational vote actions approved by the FCA Board from September 9, 2021, through October 13, 2021 as follows:

Item Number	Action Date	Voting Results	Subject
NV 21-25	9/21/2021	Approved	Not object to the offering circular of AgTexas, FCS for the issuance of up to \$80 million in Preferred Stock
NV 21-26	10/1/2021	Approved	Operating and Oversight Plan - Office of Secondary Market Oversight FY 2022
NV 21-28	10/1/2021	Approved	Oversight and Examination Plan - Office of Examination FY 2022
NV 21-29	10/5/2021	Approved	Appointment of Ashley Waldron to Position of Secretary to the Board

The undersigned hereby certify that the foregoing minutes are the official minutes of the Regular Meeting of the Farm Credit Administration Board held on October 14, 2021.

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

_____/s/
Ashley Waldron
Secretary to the Board

Approved: November 18, 2021

**ATTENDANCE LIST - FCA REGULAR BOARD MEETING
October 14, 2021**

OFFICE	OPEN SESSION	CLOSED SESSION
Office of the Board		
Smith, Glen	X	X
Hall, Jeff	X	X
Morris, James	X	X
Donner, Mary Alice	X	X
Roque-Brehm, Awilda	X	
Calhoun, Gaye	X	
Aultman, Dale	X	X
Ibelli, Heyam	X	
Waldron, Ashley	X	X
COO		
Coleman, Robert	X	X
OIT		
Golley, Jerald	X	X
Matos, Ricardo	X	X
Versace, Jerry	X	X
Rana, Ben	X	X
OCPA		
Stokke, Michael	X	X
Middleton, Russell	X	X
Herberger, Jeff (OCPA contractor)	X	
OGC		
Ogilvie, Clark	X	X
Griffin, Ward	X	X
Cohn, Jennifer	X	
Orlich, Becky	X	
OE		
Paulsen, Roger	X	X
Fennewald, Dan	X	X
Weissenborn, Kevin	X	
ODAE		
D'Antoni, Jeremy	X	X
Shields, Dennis	X	X
OIG		
Laguarda, Wendy	X	X
Miller, Kevin	X	X

OFFICE	OPEN SESSION	CLOSED SESSION
OSMO		
Rea, Laurie	X	X
Connor, Joe	X	X
Hudson, Bruce	X	X
Thomas, Elu	X	X
Del Moral, Jeremy	X	X
Greenlee, Angela	X	X
Michel, Kevin (Intern)	X	X
West, Tiffany	X	X
ORP		
Kramp, Kevin	X	X
Agans, Autumn	X	
Edelstein, Jeremy	X	
Neal, Joi	X	
Leist, Ryan	X	X
OCFO		
Smith, Stephen	X	X
OAS		
Bell, Vonda	X	X
Clark, Patrina	X	X
FCSIC		
Rubin, Howard	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 October 14, 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 October 14, 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, 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 September 9, 2021

Report

- 2 Small Association Outreach Report, Fulfilling the FCS Mission, Perspectives and Challenges

New Business

- 3 Risk-Weighting of High Volatility Commercial Real Estate – Proposed Rule – Comment Period Extension

CLOSED SESSION

- 4 Office of Secondary Market Oversight Periodic Report¹

_____/s/
Dale Aultman
Secretary to the Board

September 30, 2021 Date

¹ 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



FCA BOARD ACTION ON

Minutes for September 9, 2021

BM-14-OCT-21-01

Effective Date: October 14, 2021

Effect on Previous Action: None

THE FCA BOARD HEREBY:

Approves the minutes for September 9, 2021.

DATED THIS 14th DAY OF OCTOBER 2021

BY ORDER OF THE BOARD

_____/s/
Dale Aultman
Secretary to the Board

**Statement on the Small Association Report
Glen R. Smith
FCA Board Chairman
Farm Credit Administration Board Meeting
October 14, 2021**

First and foremost, I'd like to express my strong support for my fellow board member's well-thought-out comments on the importance and concern for the Farm Credit System's smaller associations. For as long as I've known Board Member Hall, this has been an intense interest of his, and I assure him that as long as I have influence on this board, that strong interest will continue.

The presentation we just heard discussed the decline in the number of small associations within the Farm Credit System. Along with Jeff, I am particularly concerned about the impact the reduction in the number of small associations may have on borrowers' active ownership of their cooperative institutions and on their local management and control. As territories get larger, the distance between an association's headquarters and local agriculture increases, possibly diminishing local input and interest.

In one of my first speeches as chair, I addressed the Farm Credit Council's national convention here in D.C. In it, I expounded on the Jeffersonian principle of trusting the commonsense decisions of the yeoman farmer/landowner. The Farm Credit System should epitomize those principles of equally respecting the voice of all stakeholders in this cooperative community, both large and small.

I thank staff for this informative presentation. It provides a base for future recommendations and an action plan, which the board will be requesting.

**Statement on the Small Association Report
Jeffery S. Hall
FCA Board Member
Farm Credit Administration Board Meeting
October 14, 2021**

In just over 15 years, nearly one-third of Farm Credit System institutions have merged with other System institutions. A disproportionate share of the mergers involved small institutions. During that same period, total System assets almost tripled — to more than \$400 billion today.

THE SMALL ASSOCIATION PRESENTATION

One of the priorities of the FCA board is to assess how the needs and challenges of small associations differ from those of large associations and to adopt policies that are appropriate for all stakeholders and are consistent with cooperative principles. In the study discussed today, we solicited input from small associations on three topics:

- The role they play in the cooperative structure of the Farm Credit System
- Their mission achievement
- The unique challenges they face

As our staff noted in the presentation, small associations are seriously committed to their mission. They are very proud of their connection with their borrower-owners. They feel that their size allows them to be customer-friendly, to build good relationships with local farmers and ranchers, and to tailor their services to better meet the needs of their customers. They also emphasized connections to their local communities, motivation to meet the needs of underserved markets, and sharply focused more on mission.

At the same time, small associations have challenges. They point out that obtaining services — in particular, IT services — can be costly and difficult. They also believe that the cost of compliance disproportionately affects their money, time, and staff resources. These challenges make it difficult for small associations to grow their business and expand credit offerings to their customer base.

The discussion of mergers and the challenges of small associations is ongoing; the presentation today did not present conclusions. Some of the challenges identified are outside the control of this regulatory body. However, the purpose of including this presentation in the board meeting today is to acknowledge some of the high-level issues identified and to begin to address things within our control. I note a few takeaways that should inform the board in making policies and decisions going forward.

BALANCING EFFICIENCY WITH CUSTOMER SERVICE

A constant drive toward increased efficiency is a key factor in consolidation. We see this all around us in the business world, especially in mature industries. This is especially true with operating costs — and particularly in technology. Access to state-of-the-art financial technology and cybersecurity services may be challenging for small associations with more

limited resources. But there can be a trade-off between increased efficiency and customer service and satisfaction. Both must be considered.

COST OF COMPLIANCE

As the Farm Credit System's safety and soundness regulator, FCA must examine all institutions and approve regulations that set a high standard for all System institutions, no matter the size. We cannot exempt any institution from these standards. At the same time, the cost of compliance may put further stress on already limited resources, particularly in a small association. It is a difficult needle to thread but cannot be ignored.

COOPERATIVE STRUCTURE

Maintaining the cooperative structure of the Farm Credit System is fundamental to maintaining its status as a government-sponsored enterprise. A basic tenet of a cooperative is ownership and governance by its members. Consolidation and mergers have significantly reduced the representation of borrower-owners in the governance structure of the Farm Credit System as a whole. Each merger has resulted in fewer board members on the combined institution.

We must not forget that every Farm Credit System institution has a public mission, and we must consider the consequences that mergers may have on the ability of an institution to serve the local borrower. We must recognize that preserving local cooperative ownership, presence, and control is important to the System's cooperative structure.

CONCLUSION

Consolidation and mergers are not inherently bad. In fact, in the Agricultural Credit Act of 1987, Congress made it clear that the Farm Credit System should become more efficient through consolidation and mergers. Consolidation has been a consistent trend within agriculture for decades. In fact, it continues to happen all around us in most areas of our economy.

So, what do we do as a regulator? Do we have a role or even an obligation to look internally to determine whether we could be contributing unduly to this trend? FCA began this fact-finding effort to gather information on the perspective of associations about the changing structure of the System. As a regulator, we must remember that our number one priority is ensuring that the Farm Credit System provides a safe, sound, and dependable source of credit for all creditworthy and eligible persons in agriculture and rural America. To me, that not only means the financial stability of the entire System, but also the safety and soundness of each institution. It also means acknowledging that the differences between large and small associations are important to consider and FCA should maintain a balanced approach, making sure all business models have the opportunity to succeed.

Farm Credit Administration

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

BOARD ACTION ITEM



FCA BOARD ACTION ON

Risk-Weighting of High Volatility Commercial Real Estate – Proposed Rule – Comment Period Extension

BM-14-OCT-21-02

Effective Date: October 14, 2021

THE FCA BOARD HEREBY:

- Extends the comment period for the proposed rulemaking for the risk-weighting of high volatility commercial real estate exposures for an additional 61 days; and
- Authorizes FCA staff to make any technical or grammatical changes that may be necessary prior to publication of the Notice in the *Federal Register*.

DATED THIS 14th DAY OF OCTOBER 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



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 October 14, 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).

October 14, 2021
Date

/s/
Clark Ogilvie
General Counsel