

**Testimony of the Honorable Jeffery S. Hall  
Board Chairman and Chief Executive Officer  
Farm Credit Administration  
Before the Subcommittee on Agriculture,  
Rural Development, Food and Drug Administration,  
and Related Agencies  
U.S. House of Representatives Committee on Appropriations  
February 2, 2026**

Mr. Chairman and Members of the Subcommittee, I am Jeffery S. Hall, board chairman and CEO of the Farm Credit Administration (FCA or agency). On behalf of my board colleague, Glen R. Smith, and all the dedicated men and women of the agency, I am pleased to provide this testimony. Before I discuss the agency's role, responsibilities, and budget request, I would like to thank the subcommittee members and staff for their assistance during the budget process.

Congress established and structured the Farm Credit System (FCS or System) to provide farmers and rural communities access to financial institutions where they have a voice in the decision-making process to ensure that the financial needs of rural America are addressed. The System is made up of banks, associations, and several service corporations, including the Federal Farm Credit Banks Funding Corporation (Funding Corporation).

The Farm Credit System also includes the Federal Agricultural Mortgage Corporation (Farmer Mac), which Congress established to increase access to affordable credit for American agriculture and rural communities. Farmer Mac provides a secondary market for agricultural real estate mortgage loans, rural housing loans, and rural utility cooperative loans.<sup>1</sup>

FCA was created to ensure the financial viability of the FCS and to ensure that its institutions follow their legal obligations. Because System institutions are uniquely structured, FCA has developed regulatory and oversight approaches designed to fit these structures. In the case of Farmer Mac, that includes a separate FCA office, the Office of Secondary Market Oversight.

As a result of the collective efforts of the Farm Credit System, including Farmer Mac, U.S. agriculture (including agricultural cooperatives that provide inputs and market products for farmers and ranchers) and rural utilities receive hundreds of billions of dollars in financing every year. In carrying out its important mission, FCA does not receive a federal appropriation. Our administrative expenses come from funds that are assessed and collected annually from the institutions we regulate and examine.

For fiscal year (FY) 2027, we are submitting a proposed total budget request of \$107,000,000. Our proposed budget for FY 2027 includes current and prior-year assessments of \$106,480,000 from System institutions, including Farmer Mac, and \$520,000 from anticipated reimbursable work for the Farm Credit System Insurance Corporation and the National Cooperative Bank. FCA is not requesting any increase in our budget over our 2026 enacted budget, despite growing System complexity.

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<sup>1</sup> Although Farmer Mac is an FCS institution under the Farm Credit Act (12 U.S.C. 2279aa-1(a)(2)), we often discuss Farmer Mac separately from the other entities of the FCS because of the secondary market authorities unique to Farmer Mac. Therefore, when we refer to FCS or System institutions without specifically including Farmer Mac, Farmer Mac should be considered excluded in that context. Farmer Mac is not jointly and severally liable on debt issuances with other parts of the System.

A key factor of the FY 2027 budget is workforce readiness — especially regarding examiners and risk analysts. Approximately 21% of our workforce will be eligible to retire in the next five years. We must also ensure that our staff have the skills required to address changes in the agricultural industry and the increasing complexities of agricultural finance. Effective and strategic human capital management remains a top priority for FCA. While we experienced higher than normal attrition due to the Deferred Resignation Program, our commitment to attracting and retaining a highly qualified workforce remains steadfast. In partnership with the Office of Personnel Management, we implemented the governmentwide Merit Hiring Plan, as well as an annual staffing plan rooted in strategic hiring.

Because of the FY 2025 continuing resolution and hiring freeze, FCA's operating budget was reduced by more than \$5 million, or 5% of our very lean budget. This reduction negatively impacted examiner hiring and limited our ability to invest in modern technology capabilities such as artificial intelligence and cloud solutions that provide near- and long-term efficiency improvements and allow us to keep pace with the System's technological advances.

The FY 2027 budget prioritizes our investment in technology, data management, and technical training for our staff. One of the agency's key priorities is preparing for financial innovation. As the institutions we regulate adopt more advanced technologies and continue to focus on data maturity and management, we must ensure that our examinations account for those advances and that our employees receive the training they need to understand how the technologies can affect the institutions' safety and soundness and their ability to fulfill their mission, especially with the increasing use of artificial intelligence in the financial sector.

In addition, we must ensure that we have state-of-the-art technology for monitoring threats to cybersecurity both in the System and at the agency. In FY 2026, we are making significant investments, especially in artificial intelligence, and we continue to invest in modernizing our technology to improve the efficiency of our operations.

The funding we requested for FY 2027 will enable us to hire, train, and retain the people we need to properly examine, oversee, and regulate the System and to ensure that our employees have the tools they need to do their jobs.

### **Mission of the Farm Credit Administration**

As directed by Congress, FCA's mission is to ensure that System institutions, including Farmer Mac, are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America. We accomplish our mission in two important ways.

First, we protect the safety and soundness of the FCS by examining and supervising all FCS institutions, including Farmer Mac, and ensuring institutions comply with applicable laws and regulations. Our examinations and oversight strategies focus on an institution's financial condition and any material existing or potential risks, as well as on the ability of its board and management to direct its operations. We also evaluate whether each institution is complying with applicable laws and regulations and serving all eligible borrowers, including young, beginning, and small farmers and ranchers. If a regulated institution violates a law or regulation or operates in an unsafe or unsound manner, we use our supervisory and enforcement authorities to ensure that appropriate corrective action is taken.

Second, we develop policies and regulations that govern how System institutions, including Farmer Mac, conduct their business and interact with customers. We focus our policy and

regulation development on protecting safety and soundness; implementing the Farm Credit Act; providing minimum requirements for lending, related services, investments, capital, and mission; and ensuring adequate financial disclosure and governance. The policy development program includes approval of corporate charter changes, System debt issuance, Farmer Mac's secondary market operations, and other financial and operational matters.

### **Examination and supervision**

To help ensure the safety and soundness of FCS institutions, including Farmer Mac, FCA uses examination and supervision processes to address material and emerging risks at the institution level and across the System. We base our examination and supervision strategies on institution size, existing and prospective risk exposure, and the scope and nature of each institution's business model.

We monitor agricultural, financial, and economic risks that may affect groups of institutions or the entire System, including Farmer Mac. Given the increasing complexity and risk in the agricultural and rural utility financial system and the human capital challenges at FCA, we continue to implement initiatives to improve operations, increase examination effectiveness, and enhance staff expertise in key examination areas.

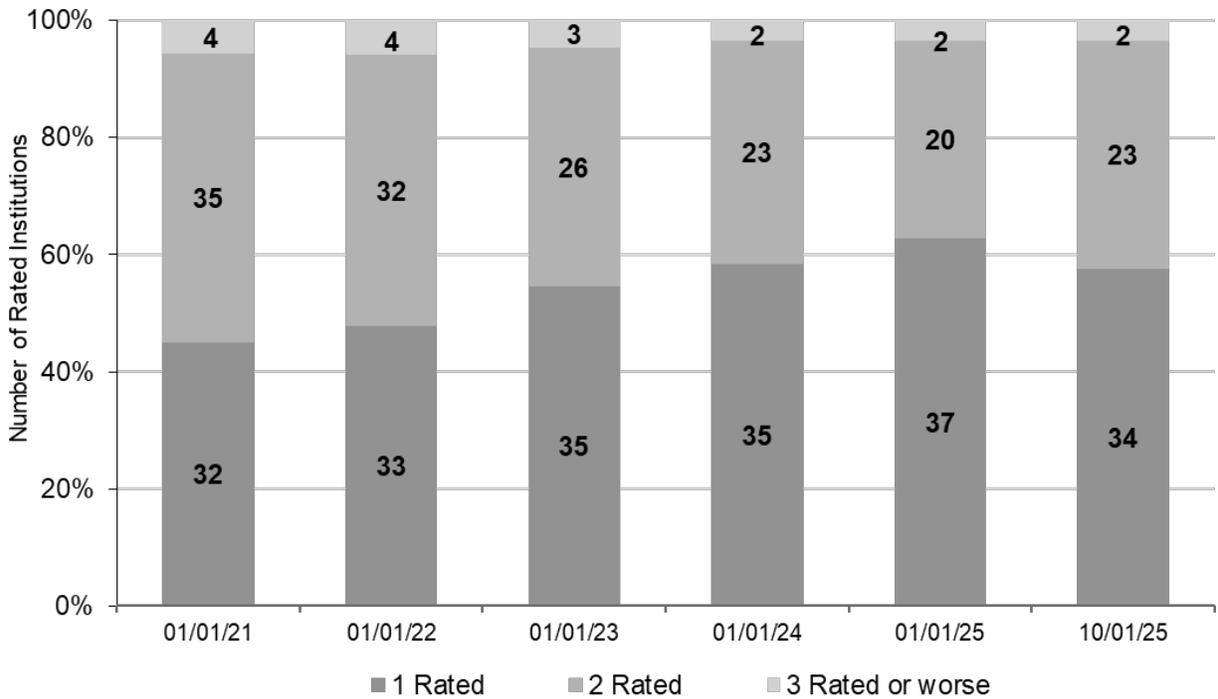
The frequency and depth of examination activities vary based on risk, but each System institution is examined at least once every 18 months and receives a summary of the examination activities we conducted and a report on its overall condition. In Farmer Mac's case, we perform an examination annually. FCS institutions, including Farmer Mac, are required to have effective loan underwriting and loan administration processes, to properly manage assets and liabilities, to establish high standards for governance, and to provide transparent disclosures to shareholders.

Our examination and supervision program promotes accountability in FCS institutions by working to ensure that institutions identify and manage risks. When necessary, we use our enforcement powers to require institutions to change their policies and practices to correct unsafe or unsound conditions, weak business practices, or violations of law or regulations.

To assess the safety and soundness of each regulated institution, we use our Financial Institution Rating System (FIRS). The FIRS provides a framework of ratings to help examiners evaluate significant financial, asset-quality, and management factors in a consistent way across the System. FIRS ratings range from 1 for a sound institution to 5 for an institution likely to fail.

As the following chart indicates, the System remains financially strong overall. Of the System banks and associations that were active as of Oct. 1, 2025, two institutions were rated 3 or worse. These institutions hold less than 4.0% of System consolidated assets and do not materially affect the System's performance. Overall, System institutions, including Farmer Mac, are well capitalized, and they do not pose material risk to investors in their debt, to the Farm Credit System Insurance Corporation, or to their stockholders.

## FCS Financial Institution Rating System (FIRS) composite ratings



Source: FCA's FIRS Ratings Database.

Note: This chart reflects ratings for only the actively reporting System's banks and associations; it does not include ratings for the System's service corporations, Farmer Mac, or the Federal Farm Credit Banks Funding Corporation. The numbers in the bars indicate the number of institutions by FIRS rating.

### Matching data table

FIRS Ratings	01/01/21	01/01/22	01/01/23	1/01/24	1/01/25	10/1/25
1 rating	32	33	35	35	37	34
2 rating	35	32	26	23	20	23
3 rating or worse	4	4	3	2	2	2
<b>Total</b>	<b>71</b>	<b>69</b>	<b>64</b>	<b>60</b>	<b>59</b>	<b>59</b>

In examining and overseeing System institutions, we use a three-tiered supervision program: normal supervision, special supervision, and enforcement actions. As of Dec. 31, 2025, a small number of institutions were under special supervision. These institutions require a higher level of supervisory oversight and significantly greater agency resources to oversee. No FCS institutions were under formal enforcement actions, in conservatorship, or in receivership.

## Regulatory and corporate activities

**Regulatory activities** — Congress has given the FCA board statutory authority to prescribe regulations to ensure that FCS institutions comply with the law and operate in a safe and sound manner. We are committed to developing balanced, flexible, and legally sound regulations for the safe and sound financing of agriculture and rural infrastructure, especially rural utilities and data centers. Regulatory and policy projects in the agency’s fall 2025 Unified Regulatory Agenda that are still active include the following:

- Revising the business planning rule to comply with Executive Order 14219
- Revising regulations for the assessment and apportionment of administrative expenses
- Revising the appraisal regulations for current credit and economic conditions
- Revising the capital regulations to reduce reliance on permanent capital as a measure of capital adequacy
- Amending the liquidity regulations to ensure banks maintain adequate liquidity under stressful conditions
- Amending the financial reporting regulations to consider updated requirements for annual audits and internal controls over financial reporting for System institutions
- Amending the accounting and reporting requirements regulations to reflect the elimination of troubled debt restructuring as a loan performance category due to changes in generally accepted accounting principles
- Revising the voluntary liquidation of System institution regulations
- Modifying requirements that apply when System institutions participate in loans outside their chartered territories
- Increasing the transparency of Farmer Mac’s capital structure and realigning Farmer Mac’s capital regulations potentially with Basel III requirements and the capital frameworks of U.S. federal financial regulators
- Clarifying which activities performed by eligible borrowers can be financed by System institutions under similar-entity authorities

**Corporate activities** — Because of mergers, the number of FCS institutions has declined over the years, but their complexity has increased, placing greater demands on both examination staff resources and expertise. As of Jan. 1, 2026, the System had 55 associations, 4 banks, 6 service corporations, and 2 special-purpose entities.

## Condition of the FCS

The FCS continues to be safe and financially sound and is well-positioned to accomplish its mission of providing reliable credit and related services in support of agriculture and rural America.

The FCS earned \$5.97 billion in the first nine months of 2025, a 1.0% increase from the \$5.91 billion earned in the same period last year. The increase in 2025 net income was largely because of higher net interest income that was largely offset by higher provisions for credit losses on loans.

The System’s loan portfolio continued to perform well in 2025, and portfolio credit quality remained favorable, although credit risk indicators trended higher. As of Sept. 30, 2025, System nonperforming assets totaled \$4.3 billion or 1.0% of total loans and other property owned, as compared with \$3.2 billion or 0.79% a year earlier.

Further strengthening the System's financial condition is the Farm Credit Insurance Fund, which holds the System's restricted capital. As of Sept. 30, the Insurance Fund had a balance of \$8.4 billion. Administered by the Farm Credit System Insurance Corporation, this fund protects investors in Systemwide consolidated debt obligations.

System banks also maintain liquidity reserves to ensure they can withstand market disruptions. As of Sept. 30, each bank maintained a liquidity position well above the required 90-day regulatory minimum, and the banks' aggregate liquidity position was 183 days.

### **Condition of Farmer Mac**

Congress established Farmer Mac in 1988 to create a secondary market for agricultural real estate and rural housing mortgage loans. Farmer Mac has authority to create and guarantee securities and other secondary market products that are backed by agricultural real estate mortgages and rural home loans, USDA-guaranteed farm and rural development loans, and rural utility cooperative loans. As mandated by statute, we have a separate office, the Office of Secondary Market Oversight, through which we regulate, examine, and supervise Farmer Mac's operations.

Farmer Mac is committed to enhancing the availability of reasonably priced credit to agriculture and rural America through its secondary market activities. Under specific circumstances defined by statute, Farmer Mac may issue obligations to the U.S. Treasury Department, not to exceed \$1.5 billion, to fulfill the guarantee obligations on Farmer Mac guaranteed securities. Farmer Mac is not subject to any intra-System agreements and, unlike System banks, is not jointly and severally liable for Systemwide debt obligations. Moreover, Farmer Mac's debt is excluded from Farm Credit Insurance Fund coverage.

As measured using generally accepted accounting principles, net income available to common stockholders for the nine months ending Sept. 30, 2025, was \$141.9 million. This was a 9.3% increase from the same period in 2024. The increase was primarily due to an increase in net interest income partially offset by an increase in provision expenses.

Net effective spread for the nine months ending Sept. 30, 2025, was 1.19%, a slight increase from 1.15% for the same period one year prior. This increase was primarily due to an increase in net new business volume and a decrease in funding costs.

On Sept. 30, Farmer Mac's portfolio of loans, guarantees, and commitments totaled \$31.1 billion, an increase of 9.3% year-over-year, and the quantity and quality of Farmer Mac's capital remained satisfactory relative to its risk profile. Farmer Mac's core capital totaled \$1.7 billion, compared with \$1.5 billion one year prior. This was \$723.4 million above the \$969.1 million minimum statutory requirement for Farmer Mac's on- and off-balance-sheet exposures. Farmer Mac's tier 1 capital ratio was 13.9% as of Sept. 30, a slight decrease from 14.2% one year earlier due to an increase in risk-weighted assets, which was partially offset by the \$100 million issuance of Series H Preferred Stock in August 2025.

Credit quality in all program business lines remained satisfactory but deteriorated from the prior year. Even so, credit risk was manageable. As of Sept. 30, substandard loans represented 2.9% of total direct credit exposure, including both the Agricultural Finance and Infrastructure Finance (formerly Rural Infrastructure) lines of business. Across all lines of business, 90-day delinquencies represented 0.57% of total outstanding business volume, compared 0.51% a year earlier.

**Conclusion**

We at FCA remain vigilant in our efforts to ensure that the Farm Credit System, including Farmer Mac, continues to be financially sound and focused on serving agriculture and rural America. We will continue our commitment to excellence, effectiveness, and cost efficiency. Our budget proposal identifies our goals and the performance measures we developed to help us use our resources efficiently and effectively.

It is our intent to stay within the constraints of our FY 2027 budget as presented while ensuring that we attract and retain the staff needed to accomplish our mission and invest in the future of FCA through technology. We will continue our efforts to be good stewards of the resources entrusted to us.