Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

For Immediate Release
NR 19-14 (8-8-2019)

Contact: Mike Stokke or Emily Yaghmour,
703-883-4056
Email: info-line@fca.gov

FCA board receives 2018 annual report on the Farm Credit System's young, beginning, and small farmer lending

McLEAN, Va., Aug. 8, 2019 — At its monthly meeting today, the Farm Credit Administration board received FCA's 2018 Annual Report on the Farm Credit System's Young, Beginning, and Small (YBS) Farmer Mission Performance.

Outstanding loans

Both the dollar volume of the System's total loans outstanding and the dollar volume of YBS loans outstanding increased in 2018. Total System loan dollar volume outstanding increased by 3.2%, and loan dollar volume outstanding to young farmers increased by 6.2%, to beginning farmers by 4.5%, and to small farmers by 1.8%.

However, the total number of loans outstanding both for the System as a whole and for YBS borrowers decreased in 2018. The number of total System loans outstanding decreased by 9.5%. The number of loans outstanding to young farmers decreased by 5.3%, to beginning farmers by 3.8%, and to small farmers by 6.8%.

New loans

From Dec. 31, 2017, to Dec. 31, 2018, the System's overall new loan dollar volume increased by 12.2%. New loan dollar volume to young farmers increased by 7.6%, to beginning farmers by 7.1%, and to small farmers by 6.8%.

However, the number of loans made during the year decreased for both total System lending and for all YBS categories. The number of total System loans made during the year decreased by 21.4%. The number of loans to young farmers decreased by 17.7%, to beginning farmers by 15.5%, and to small farmers by 16.1%.

The decrease in the number of new and outstanding loans was primarily driven by the way System institutions have been tracking loan participations — which are loans that are shared by two or more institutions. Under the current approach and FCA's direction for reporting, an institution may count each participation interest as a separate loan for FCA's YBS reporting. Therefore, each institution participating in a multi-lender credit to an individual YBS farmer may count that credit in its YBS reporting. This leads to duplication when the YBS and non-YBS numbers are consolidated at the System-wide level.

In 2018, a change in how certain credits are shared led to a reduction in reported loan numbers. FCA issued an advance notice of proposed rulemaking in February of this year as a first step in a multi-year effort to improve and modernize YBS activities. FCA is actively working to update guidance, methodology, data collection, and evaluation of YBS activities.

System institutions are required by law and FCA regulation to maintain programs to provide sound and constructive credit and related services to YBS farmers and ranchers. They must report annually to FCA on their YBS lending activity.

For more information about the System's YBS farmer lending in 2018, see the related fact sheet. Also, see the PowerPoint presentation used at the FCA board meeting.

Proposed rule regarding investment eligibility

In other business, the board approved a proposed rule that would allow associations to once again purchase in the secondary market portions of loans that the U.S. Department of Agriculture (USDA) fully and unconditionally guarantees as to principal and interest. The proposed rule would amend FCA regulation 615.5140(b)(2), which took effect on Jan. 1, 2019.

The change would strengthen safety and soundness at associations because a wider spectrum of investment choices can provide associations with an additional means to mitigate the risk associated with being a single-industry lender. In addition, it may increase liquidity in the secondary market for portions of loans that USDA fully and unconditionally guarantees as to principal and interest.

Proposed rule regarding implementation of CECL methodology

The board also adopted a proposed rule to amend FCA's capital regulations to implement a new accounting standard known as the current expected credit losses methodology (CECL). CECL focuses on estimating *expected* losses over the life of a loan, while the current accounting requirement focuses on *incurred* losses.

The Financial Accounting Standards Board adopted the new methodology in June 2016, shortly after FCA had updated its capital rules to become more consistent with the capital rules of other federal banking regulatory agencies. To implement CECL, these agencies published revisions to their capital regulations in February 2019.

This proposed rule would ensure that FCA's capital rules remain comparable with the capital rules of the other federal regulators.

How to submit and read comments on proposed rules

Following a 30-day period for congressional review, both of the proposed rules discussed above will be published in the Federal Register for a 60-day comment period.

The public may submit comments by electronic mail to reg-comm@fca.gov, through the public comment form on FCA's website, or through the federal government web portal at www.regulations.gov.

The public may also submit comments by mail to Barry F. Mardock, Acting Director, Office of Regulatory Policy, Farm Credit Administration, 1501 Farm Credit Drive, McLean, VA

22102-5090. The public may read submitted comments at the FCA office in McLean, Virginia, or on the public comments page on FCA's website.

Notational vote

Since the July 11 FCA board meeting, one notational vote has occurred. Notational votes are actions taken by the FCA board between board meetings.

- On July 23, the FCA board approved the Fall 2019 Unified Agenda of Federal Regulatory and Deregulatory Actions and the Fall 2019 Regulatory Projects Plan.

###

The Farm Credit System consists of two government-sponsored enterprises — a nationwide network of cooperative banks and associations established in 1916, and a secondary market entity known as the Federal Agricultural Mortgage Corporation (Farmer Mac) that was established in 1988. The System's borrower-owned banks and associations provide credit to farmers, ranchers, residents of rural communities, agricultural and rural utility cooperatives, and other eligible and creditworthy borrowers. Farmer Mac provides a secondary market for agricultural real estate loans, rural housing mortgage loans, and certain rural utility loans.

Note: FCA news releases are available on the web at www.fca.gov.