

Fact Sheet

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



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Contact: Michael Stokke or Christine Quinn,
703-883-4056
E-mail: info-line@fca.gov
Website: www.fca.gov

Fact Sheet on Farmer Mac Capital Planning: Notice of Proposed Rulemaking

The Farm Credit Administration (FCA) Board adopted a proposed rule on December 13, 2012, to revise its regulations governing capital planning at the Federal Agricultural Mortgage Corporation (Farmer Mac). We first issued these regulations in 2001.

The proposed rule would require Farmer Mac to submit a capital plan to our Office of Secondary Market Oversight (OSMO) on an annual basis and to notify OSMO under certain circumstances before making a capital distribution. The proposed rule would revise the current capital adequacy planning requirements to increase our regulatory focus on the quality and level of Farmer Mac's capital base. The rule would promote best practices for capital adequacy planning and stress testing.

Below is a summary of the proposed changes and a listing of the questions on which we seek comment.

Summary of Proposed Changes

§ 652.60 Corporate Business Planning — We propose to require Farmer Mac's board of directors to establish goals and objectives for maintaining capital. Such goals would include a ratio of Tier 1 capital to risk-weighted assets. The ratio would be selected by Farmer Mac's board of directors for use in capital planning under both expected and stressful scenarios. The rule would continue to require Farmer Mac to maintain capital levels above existing statutory and regulatory minimums. We also propose to add several required components to Farmer Mac's annual operational and strategic business plan.

§ 652.61 Capital Planning — We propose to replace existing § 652.60(c) on capital adequacy plans with expanded requirements in this new section. We propose several new definitions focused on high-quality capital measurements relative to risk-weighted assets—all aligned with current trends and best practices in this area. We propose to require Farmer Mac to submit its capital plan to OSMO each year by March 1. Farmer Mac's board of directors would be required to review the robustness of its process for assessing capital adequacy, to ensure that deficiencies are remedied, and to approve the capital plan.

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We propose to include several mandatory elements of the capital plan, including the following:

- Calculation of a new Tier 1 ratio over the planning horizon under both normal and stressful scenarios and a discussion of how the ratio will maintain capital above a board-adopted threshold
- A description of the process for assessing capital adequacy
- A capital policy
- A discussion of expected changes to the business plan that are likely to have a material impact on capital adequacy or liquidity

Also in this section, we propose to establish an annual assessment of the capital plan by FCA. Farmer Mac would be required to consider issues raised by FCA in its revised capital plan.

§ 652.62 Notice to OSMO of Capital Distributions — We propose to require Farmer Mac to provide us with an advance notice of 15 calendar days before its board considers a capital distribution or any material changes in capital distribution policies. However, notice would not be required if there is no change from the previous quarterly dividend rates paid on common and preferred stock.

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