Fact Sheet

Farm Credit Administration
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Fact Sheet on Farmer Mac Investment Eligibility: Notice of Proposed Rulemaking

The Farm Credit Administration Board adopted a proposed rule on Jan. 14, 2016, to revise its regulations in 12 CFR Part 652 governing the eligibility of nonprogram investments held by the Federal Agricultural Mortgage Corporation (Farmer Mac). The proposed rule would replace references to credit ratings issued by nationally recognized statistical rating organizations (NRSRO) with criteria that place greater due-diligence responsibility on Farmer Mac.

Summary of Changes

§ 652.10 Revise investment limits based on concentration risk

Reduce the current limit on maximum exposure to any single obligor from 25 to 10 percent of Farmer Mac's regulatory capital, unless the investments are an obligation of, or fully guaranteed by, a U.S. government agency or government-sponsored enterprise (GSE). Retain the current 50 percent limit for mortgage-backed securities issued by GSEs, but remove other existing asset class limits. Calculate investment limits on the carrying value of the investment.

§ 652.20 Remove nonprogram investment table

Replace the existing table of eligible asset classes, maturities, and NRSRO credit ratings with criteria to determine the types of eligible nonprogram investments Farmer Mac may hold. For example, investment counterparties would have to have a "strong capacity" to meet financial commitments and exhibit a very low risk of default.

§ 652.23 Approval for other nonprogram investments

Clarify the minimum components that Farmer Mac must include in a request to FCA to invest in other nonprogram investments (that is, those that do not satisfy the provisions of § 652.20).

§ 652.25 Ineligible Investments

Clarify that any investments deemed ineligible under the regulations must continue to be included in the overall regulatory limit on the investment portfolio's size and remove the existing quarterly reporting requirements for investments that become ineligible after purchase.

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