Fact Sheet

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

The Farm Credit Administration Board adopted a final rule on Sept. 12, 2013, to revise its regulations in 12 CFR Part 652 governing capital planning at the Federal Agricultural Mortgage Corporation (Farmer Mac).

FCA first issued these regulations in 2001 and proposed revisions in January 2013. The final rule requires Farmer Mac to submit annually a capital plan to FCA's Office of Secondary Market Oversight (OSMO) and to notify OSMO under certain circumstances before making a capital distribution.

The purpose of the rule is to increase FCA's regulatory focus on the quality and level of Farmer Mac's capital base and to promote best practices for capital adequacy planning and stress testing.

Summary of Changes

§ 652.60 Corporate Business Planning — The final rule requires Farmer Mac to maintain enough high-quality capital to meet the goals and objectives established by the Farmer Mac board. In addition, Farmer Mac must continue to maintain core and regulatory capital above statutory and regulatory minimums.

The rule also requires the Farmer Mac board to set a ratio of Tier 1 capital to risk-weighted assets and to include this ratio in its capital adequacy policy goals.

The rule requires Farmer Mac to maintain enough capital to meet its policy goals under both expected and stressful scenarios. It also includes new capital planning stress testing requirements in § 652.61 to increase Farmer Mac's long-term resiliency.

Furthermore, the rule adds several new requirements to make Farmer Mac's annual operational and strategic business plan more useful.

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§ 652.61 Capital Planning — The rule replaces § 652.60(c) on capital adequacy plans with expanded guidance. It adds several new definitions focused on high-quality capital measurements relative to risk-weighted assets—all aligned with current trends and best practices.

The rule requires Farmer Mac to submit its capital plan to OSMO each year by March 1. It requires Farmer Mac's board of directors to review the robustness of the process for assessing capital adequacy, to correct any deficiencies, and to approve the capital plan. In response to comments on the proposed rule, FCA revised two proposed definitions to add clarity.

The final rule requires the capital plan to include the following:

- A newly defined Tier 1 ratio to project outcomes under both normal and stressful scenarios
- 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 likely to have a material effect on capital adequacy or liquidity

The rule also establishes an annual assessment of the capital plan by OSMO. In a revised capital plan, Farmer Mac would be required to consider the results of its stress tests and OSMO's assessment of the plan. Farmer Mac must document in writing its actions in response to the stress tests and OSMO's assessment.

§ 652.62 Notice to OSMO of capital distributions — The final rule requires Farmer Mac to provide FCA with an advance notice of 15 calendar days before its board considers a capital distribution or any material changes in capital distributions policy. We provide an exception to this notice requirement if there is no change from planned distributions and if OSMO determines that any revised capital plan adequately considers OSMO's assessment of the plan.

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