Description of document: Farm Credit Administration (FCA) Transition Briefing for the incoming Biden Administration, 2020

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Source of document: Freedom of Information Act Officer
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From: Agans, Autumn <agansa@fca.gov>
Cc: Agans, Autumn <agansa@fca.gov>
Sent: Tuesday, January 26, 2021 at 09:40:40 AM EST
Subject: RE: New FOIA request received for Farm Credit Administration

This letter is in response to your Freedom of Information Act, 5 U.S.C. § 552 (FOIA), request to the Farm Credit Administration (FCA or Agency). You requested a digital/electronic copy of the transition briefing document(s) (late 2020) prepared by FCA for the incoming Biden Administration.

We conducted a thorough search of the Agency's records and located 1 document responsive to your request, which is enclosed in its entirety.

There are no fees associated with this request.

For your information, Congress excluded three discrete categories of law enforcement and national security records from the requirements of FOIA. See 5 U.C.S. § 552(c) (2006 & Supp. IV (2010)). This response is limited to those records that are subject to the requirements of the FOIA. This is a standard notification that is given to all our requesters and should not be taken as an indication that excluded records do, or do not, exist.

I trust this information fully satisfies your request. If you need further assistance or would like to discuss any aspect of your request, please do not hesitate to contact me at 703.883.4082 or agansa@fca.gov. FCA's FOIA Public Liaison is also available for assistance at FOIAPublicLiaison@fca.gov.

Sincerely,

Autumn R. Agans

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Farm Credit Administration Transition Documents

November 2020

The Farm Credit Administration

Regulator of the Farm Credit System and Farmer Mac

The Farm Credit Administration is an independent federal agency in the executive branch of the government. Our job is to regulate and examine the banks, associations, and related entities of the Farm Credit System (the System) and the Federal Agricultural Mortgage Corporation (Farmer Mac).

FCA's headquarters is in McLean, Virginia. We also have field offices in Bloomington, Minnesota; Dallas, Texas; Denver, Colorado; and Sacramento, California. As of Sept. 1, 2020, we had 316 employees.

Since 2017, FCA has been ranked in the top five small agencies to work for in the federal government by the Partnership for Public Service. The ranking is based on results of the Office of Personnel Management's annual federal employee viewpoint survey.

About the Farm Credit System

The 4 banks and 68 associations of the Farm Credit System are cooperative institutions designed to meet the credit needs of farmers, ranchers, rural cooperatives, and others who are eligible to borrow from the System. The four banks raise money by selling securities in the national and international money markets. They use this money to lend to the associations, which in turn lend to U.S. farmers, ranchers, and other eligible borrowers.

The Farm Credit System serves all 50 states and the Commonwealth of Puerto Rico. It has the authority, subject to certain conditions, to make the following types of loans:

- Agricultural real estate loans
- Agricultural production and intermediate-term loans (e.g., for farm equipment)
- Loans to producers and harvesters of aquatic products
- Loans to certain farmer-owned agricultural processing facilities and farm-related businesses
- Loans to farmer-owned agricultural cooperatives
- Rural home mortgages
- Loans that finance agricultural exports and imports
- Loans to rural utilities
- Loans to farmers and ranchers for other credit needs

Nationwide, the System had $297 billion in gross loans outstanding as of June 30, 2020. Loans for agricultural production and agricultural real estate purposes represented by far the largest type of lending, with $194 billion, or 65%, of the total dollar amount of loans outstanding.

As required by law, borrowers own stock or participation certificates in System institutions. The System had nearly 1.2 million loans and leases and over 574,000 stockholders in 2019. Approximately 87% of the stockholders were farmers or cooperatives with voting stock. The remaining percent were nonvoting stockholders, including rural homeowners and other financing institutions that borrow from the System.

The oldest of our nation's government-sponsored enterprises, the Farm Credit System was created by Congress in 1916 to provide American agriculture with a dependable source of long-term mortgage loans at competitive rates through the federal land banks. Congress later expanded the System in 1923 and 1933 with short- and intermediate-term financing for agricultural producers and short- and long-term financing for farmer cooperatives.

Why the Farm Credit System is needed

Farmers often need large loans to purchase land and equipment, and they face many unpredictable and uncontrollable circumstances like weather, climate change, crop or livestock disease, and changes in trade agreements. Recognizing that food security is an important part of national security, Congress created the Farm Credit System more than a century ago to ensure that there would be lending institutions dedicated to serving the unique credit needs of farmers and ranchers.

The System continues to be an important resource to U.S. farmers, ranchers, and other eligible borrowers. At the end of 2019, the System's market share of the nation's total farm business debt was 42.6%.

About Farmer Mac

FCA also regulates Farmer Mac, which is a federally chartered corporation that provides a secondary market for agricultural real estate loans, government-guaranteed portions of certain loans, rural housing mortgage loans, and eligible rural utility cooperative loans. By law, Farmer Mac is part of the Farm Credit System, but we generally speak of Farmer Mac separately because its role as a secondary market is very different from that of the System's banks and associations.

Created by Congress in 1988, Farmer Mac enhances the ability of lenders to efficiently offer competitive financing to rural borrowers and farmland investors. It increases the availability of long-term credit at stable interest rates for America's rural communities, and it provides greater liquidity and lending capacity for lenders to farmers and ranchers.

As a stockholder-owned, federally chartered corporation, Farmer Mac combines private capital and public sponsorship to serve its mission. These are Farmer Mac's primary activities:

- Purchasing eligible loans directly from lenders
- Providing financing for lenders and farmland investors by purchasing obligations secured by eligible loans and investments
- Securitizing assets and guaranteeing the timely payment of principal and interest on the resulting securities (These securities represent interests in, or obligations secured by, pools of eligible loans.)
- Issuing long-term standby purchase commitments for eligible loans

As of June 30, 2020, Farmer Mac's portfolio was $22.0 billion, and it had $915.6 million in core capital.

The FCA mission

FCA is the arm's length regulator of the Farm Credit System and Farmer Mac, with oversight, regulatory, and enforcement powers similar to those of other federal financial regulatory institutions, such as the Federal Deposit Insurance Corporation and the National Credit Union Administration. Our mission is to ensure that Farm Credit System institutions and 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 do this in two ways:

- By creating regulations for System institutions to follow
- By examining System institutions to ensure their compliance with the Farm Credit Act of 1971 (as amended), FCA regulations, and safe and sound banking practices

If a System institution violates a law or regulation, or if its operations are unsafe or unsound, we can enforce corrective action. FCA also protects the rights of borrowers; reports to Congress on the financial condition and performance of the System; reports on young, beginning, and small farmers; and approves the issuance of System debt obligations.

FCA funding

Although FCA is a federal agency, we are not an appropriated agency; our funding comes mainly from assessments paid by the System institutions. Other sources of our income are interest earned on investments with the U.S. Treasury and reimbursements for services we provide to federal agencies and others. Our access to these funds is regulated by the House and Senate Ag Appropriations Subcommittees.

FCA authorities

Legislation

FCA derives its authority mainly from the Farm Credit Act of 1971, which has been amended many times over the years. Located at 12 U.S.C. §§ 2001–2279cc, this act describes the purpose and authorities of all System institutions and Farmer Mac.

Congressional committees with oversight

The U.S. Senate Committee on Agriculture, Nutrition, and Forestry and the U.S. House of Representatives Committee on Agriculture oversee FCA and the System.

FCA governance

FCA is governed by a full-time, three-person board appointed by the president of the United States with the advice and consent of the Senate. Board members serve a six-year term and may remain on the board until a successor is appointed. They may not succeed themselves. The president designates one member as chairman of the board, who serves in that capacity until the end of his or her term. The chairman also serves as our chief executive officer.

FCA board members also serve as the board of directors for the Farm Credit System Insurance Corporation (FCSIC), which was established by the Agricultural Credit Act of 1987 in the wake of the agricultural credit crisis of the 1980s. FCSIC protects investors in Systemwide debt securities by insuring the timely payment of principal and interest on obligations issued by System banks. FCSIC does so by maintaining the Farm Credit Insurance Fund, a reserve that represents the equity of FCSIC.

While FCA and FCSIC have the same board members, FCSIC is a separate independent agency from FCA. The chairman of the FCSIC board of directors must be an FCA board member other than the current chairman of the FCA board.

The board members have an executive assistant and special assistant.

What the board does

The FCA board approves the policies, regulations, charters, and enforcement activities that ensure a strong Farm Credit System. The board also provides for the examination and supervision of the System and Farmer Mac, and oversees the Farm Credit System Building Association’s activities. (This association, formed in 1981, is owned by the FCS banks and is responsible for acquiring, managing, and maintaining facilities to house FCA's headquarters and field office staff.)

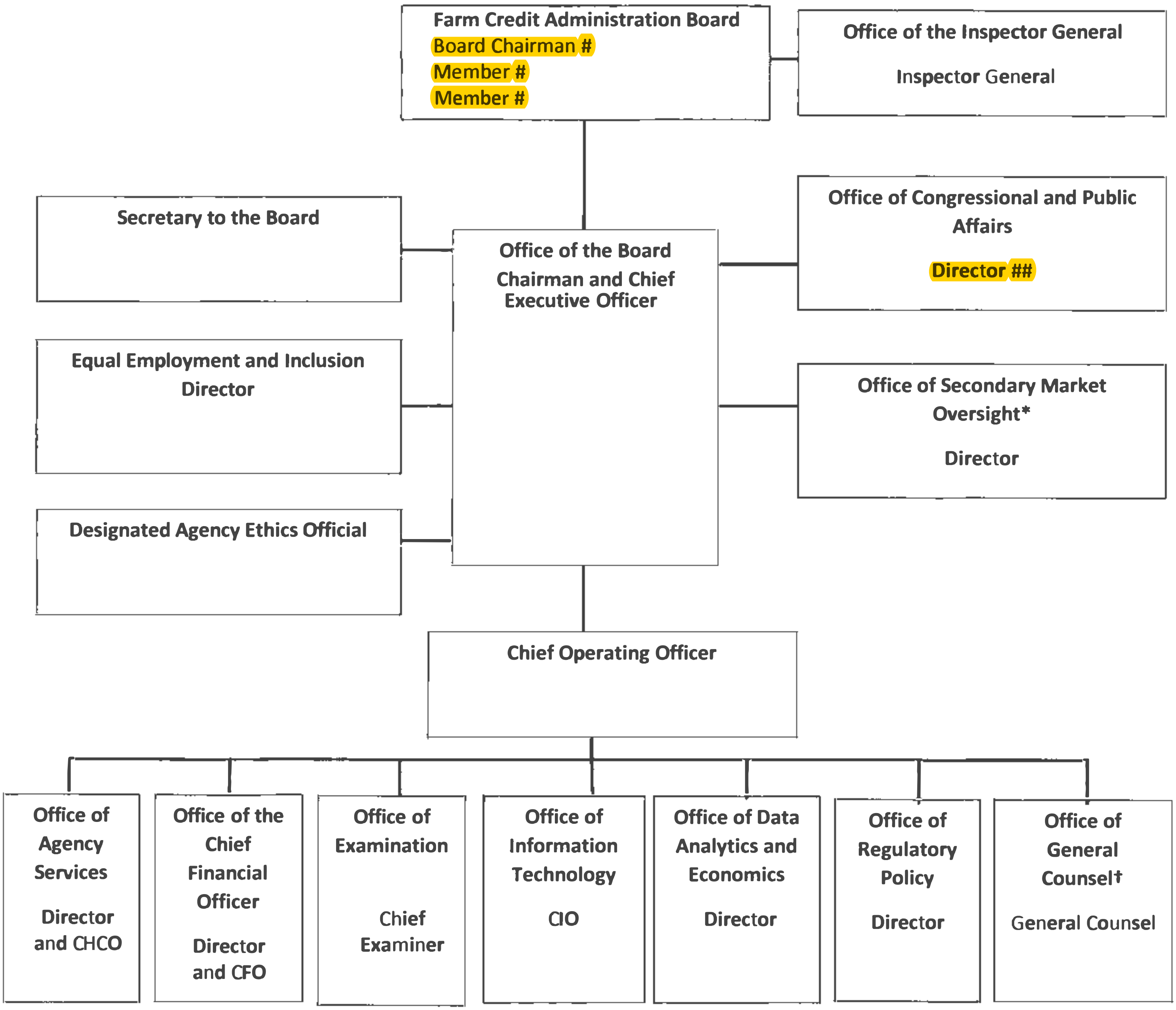
About the current board

Because of the death of former FCA Board Chairman Dallas Tonsager in May 2019, FCA's three-member board has one vacancy.

Board Chairman and CEO Glen R. Smith was appointed by President Donald Trump to the FCA Board in December 2017. On July 17, 2019, the President designated him to serve as Board Chairman and CEO. The Farm Credit Act of 1971, as amended, states that "Of the persons thus appointed [to the Board] one shall be designated by the President to serve as Chairman of the Board for the duration of the member's term." Chairman Smith's statutory term ends on May 21, 2022

Board Member Jeffery S. Hall was appointed by President Barack Obama on March 17, 2015. Mr. Hall is serving a term that expired on Oct. 13, 2018. He can continue to serve until his successor has been confirmed. Mr. Hall is currently the chairman of the FCSIC board.

Organization
Farm Credit Administration
September 2020



Presidential appointment, Senate Confirmed term appointment
Senior level Sch C
* Reports to the Board for policy and to the CEO for administration.
† Maintains a confidential advisory relationship with each of the Board members.

Order of Succession at the Farm Credit Administration (FCA)

FCA Generally

The Farm Credit Administration (FCA) is an independent agency in the executive branch responsible for regulating and examining the banks, associations and related entities of the Farm Credit System. The Farm Credit System is a network of borrower-owned cooperative financial institutions and related service organizations that serve all 50 states and the Commonwealth of Puerto Rico. These institutions specialize in providing credit and related services to farmers, ranchers, producers or harvesters of aquatic products, and farmer-owned cooperatives. Initially created by an Executive order of President Franklin D. Roosevelt in 1933, the agency now derives its powers and authorities from the Farm Credit Act of 1971, as amended (Farm Credit Act).

Appointment and Service of FCA Board Members

The FCA is managed by a three-member, full-time board that is appointed by the President with the advice and consent of the Senate. The FCA Board members are the only agency positions appointed by the President with Senate confirmation. FCA's enabling statute, the Farm Credit Act, provides that not more than two members of the Board shall be members of the same political party. The Farm Credit Act provides that the President designates a Chairman from among the members of the board, who then serves as such for the duration of the member's term. The full term of office of the Board members is six years. Members of the Board may not be appointed to succeed themselves. However, at least once, the appointment of a former Board member (Tonsager) was made, after a break in time/service. Members appointed to fill unexpired terms of three years or less may be reappointed for a full six-year term. Finally, the Farm Credit Act contains a holdover provision, allowing Board members to continue serving after their term expires until a successor has been appointed and qualified.

The Farm Credit Act does not provide for the appointment of acting Board members due to a Board member's death, resignation, or incapacitation. The Act does not provide for the designation of a Vice-Chair, who could assume the duties of the Chair in the case of such an event. However, at the present time, and in the past, the FCA Board has functioned with fewer than a three-member Board.

Current Members of the FCA Board

The two current Board members are Chairman Glen R. Smith (term expires May 21, 2022), and Jeffery Hall (term expired October 13, 2018). A nomination by the President has been made to replace Mr. Hall (Rod Brown). To date, the Senate has not acted on the Brown nomination. Former Chairman Dallas Tonsager died while in office on May 21, 2019. A nomination has not been made to fill this position (term expires May 21, 2026).

Order of Succession

Under authority provided in the Farm Credit Act, sections 5.8, 5.9, 5.10, 5.11, and 5.17, the FCA Board has taken formal action to adopt detailed “Rules for the Transaction of Business of the Farm Credit Administration Board”. These rules are captured by FCA Policy Statement 64, and were last revised, amended, and adopted by the FCA Board on June 27, 2005. Policy Statement 64 is posted on the FCA website, under legal information, and included in the FCA handbook. Our website can be found at www.fca.gov

Article III, section 2, of FCA Policy Statement 64 provides for the order of succession in the event of a national security emergency:

“**Section 2. National Security Emergencies**. Pursuant to Executive Order 12656, as amended, in the event of a national security emergency, if the Chairman is unable to perform his or her duties for any reason, the Chairman, at his or her sole discretion, delegates to the following individuals, in the order mentioned and subject to being available, the authority to exercise and perform all the functions, powers, authority and duties of the Chairman in an acting capacity until such time as either the Chairman can resume his/her position or, if no longer able to serve as Chairman, the President of the United States designates a new Chairman:

(a) Member of the Board of the Chairman's political party;

(b) If there is no other Board Member from the Chairman’s political party, then the Board Member serving the longest on the Board;

(c) General Counsel.

The Chairman or Acting Chairman will ensure that FCA has an alternative location for its headquarters functions in the event a national security emergency renders FCA's headquarters inoperative. The Chairman or Acting Chairman may establish such branch office or offices of the FCA as are necessary to coordinate its operations with those of other government agencies.”

Contact information: S. Robert Coleman, FCA Chief Operating Officer, 1501 Farm Credit Drive, McLean, VA 22102. Telephone: 703-883-4246. Email: colemanr@fca.gov

Farm Credit Administration Strategic Plan

April 2018

Fiscal Years 2018−2023

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I. Introduction

A. Who We Are

The Farm Credit Administration is the independent federal agency responsible for regulating and examining the Farm Credit System (FCS or System) and the Federal Agricultural Mortgage Corporation (Farmer Mac), the nation's two government-sponsored enterprises (GSEs) serving agriculture and rural America.[1]

FCA is also required by law to examine the National Consumer Cooperative Bank. This bank, which is not part of the FCS, operates as a federally chartered, privately owned banking corporation. We also provide contract examination services to the U.S. Department of Agriculture (USDA).

Our agency is directed by a full-time, three-person board. Members are appointed by the president with the advice and consent of the U.S. Senate. The president designates one of the members as chairman of the board; this individual also serves as the chief executive officer of the agency. FCA Board members serve as the board of directors for the Farm Credit System Insurance Corporation (FCSIC); however, the FCA Board chairman may not serve as chairman of the FCSIC Board.

Our agency is funded through assessments on institutions we regulate and examine, and we receive no federal appropriation of tax dollars in the execution of our mission. The U.S. Senate Committee on Agriculture, Nutrition, and Forestry and the U.S. House of Representatives Committee on Agriculture oversee FCA as well as the FCS and Farmer Mac.

B. Whom We Regulate

The System is a network of borrower-owned cooperative financial institutions and affiliated service organizations; it serves all 50 states and the Commonwealth of Puerto Rico. It is the oldest of the GSEs.

As stated in the Farm Credit Act of 1971, as amended, Congress established the System to improve "the income and well-being of American farmers and ranchers by furnishing sound, adequate, and constructive credit and closely related services to them, their cooperatives, and to selected farm-related businesses necessary for efficient farm operations."

System banks fund their affiliated associations and "other financing institutions," which in turn lend to farmers, ranchers, producers and harvesters of aquatic products, farm-related service businesses, and rural homeowners.[2] In addition, the Farm Credit Act authorizes the banks for

[1] Although Farmer Mac is a federally chartered institution of the System, we discuss Farmer Mac and the System as separate entities in this document because Farmer Mac has a unique GSE mission with a significantly different role than that of the System's banks and associations.

[2] Section 1.7 of the Farm Credit Act authorizes System bank funding of other financing institutions.

cooperatives and agricultural credit banks to finance farmer cooperatives; rural electric, telecommunications, and water and waste disposal utilities; and the import and export of agricultural commodities.

Farmer Mac is America's secondary market for first mortgage agricultural real estate, rural utility and USDA-guaranteed loans.[3] It provides wholesale financing and credit enhancements for agricultural and rural utility lenders. By purchasing qualified loans from primary lenders, it replenishes the funds of these lenders, enabling them to make more loans.

Farmer Mac funds its activities by issuing debt or securities backed by pools of loans and selling them into the capital markets. This allows Farmer Mac to facilitate the flow of lendable money from Wall Street to rural America and to provide a stable supply of mortgage credit to lenders and borrowers.

C. How We Regulate

As an arm's length regulator, we execute our safety and soundness oversight with impartiality. Our decisions must be independent of undue influence, favoritism, or special access so that all parties coming before the agency are treated equally. We are committed to objectivity and evenhandedness in all our actions.

D. What We Do

Our Basic Functions

As the safety and soundness and mission regulator of the System and Farmer Mac, we have two basic functions:

- **Issuing Regulations and Implementing Public Policy.** FCA enacts regulations and establishes policies that interpret and apply the Farm Credit Act and other laws applicable to the System and Farmer Mac. We also review and take action on applications by System institutions for corporate changes, such as mergers, consolidations, re-affiliations, liquidations, other System restructurings, and the formation of service corporations and unincorporated business entities. We also consider related service applications.
- **Identifying Risk and Taking Corrective Action.** FCA examines all System institutions (associations, banks, service corporations, and the Federal Farm Credit Banks Funding Corporation) and the National Consumer Cooperative Bank at least once every 18 months, and we examine Farmer Mac annually. Our examination and oversight program for System institutions is risk-based, concentrating resources on institutions with the greatest complexity or risk exposure. We have authority to take enforcement actions against a regulated institution (i.e., any institution of the System or Farmer Mac) and any of its directors, officers, employees, or agents if the institution or individual violates statutes or regulations or operates in an unsafe or unsound manner. Enforcement actions can result in

[3] Farmer Mac has statutory authority to operate a secondary market for rural home loans that meet certain criteria, but it currently does not exercise that authority.

written agreements; orders to cease and desist; civil money penalties; and orders of removal, suspension, or prohibition.

Supporting Our Basic Functions

Achieving our mission depends largely on our people, practices, and technology. Therefore, the people who work for and with FCA are a strategic priority. We will continue to invest in hiring, developing, and retaining a talented and diverse workforce and to provide employees with the resources they need to be highly effective. We strive to keep our work environment positive, innovative, diverse, and family-friendly, and we encourage teamwork, mentoring, skill growth, and high productivity.

Our employees support our two basic functions by performing their duties in an effective and efficient manner. These duties include the following:

- Examining institutions for risks associated with capital, assets, management, earnings, liquidity and sensitivity
- Analyzing the need for, and impact of, policy and regulatory changes
- Planning and budgeting over the long term
- Providing pertinent information to the federal executive branch, Congress, the institutions we regulate, and the public
- Providing legal counsel
- Performing economic and financial analyses
- Managing and securing information technology and data systems
- Managing people and the programs that support them

II. Mission Statement

The Farm Credit Administration ensures that System institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America.

III. Guiding Principles

- In recognition of our role as an arm's length financial regulator, we are committed to the highest standards of ethics, impartiality, fairness, and open government as we carry out our functions, powers, and duties.[4] We also recognize that we add value to all stakeholders by placing the safety and soundness of the System and Farmer Mac foremost in our decisions and actions.

[4] FCA Board Policy Statement "FCA-PS-81 Ethics, Independence, Arm's-Length Role, Ex Parte Communications and Open Government" adopted November 7, 2011.

- FCA will operate in a manner that is both effective and efficient. We will continue to balance the costs required to operate the agency against the benefits we provide to our stakeholders. We will never compromise safety and soundness.
- The people who work for and with FCA are a strategic priority. We will continue to invest in hiring, developing, and retaining a talented, diverse workforce and to provide employees with the tools they need to be highly effective. Our human capital, technology, and financial plans provide us with the resources we need to be an effective and trusted regulator. We will strive to keep our work environment positive, innovative, diverse, and family-friendly, and to encourage teamwork and high productivity.
- FCA maintains open, flexible, and appropriate communication with our constituencies. Strong communication ensures that we remain well informed about the System and Farmer Mac, and that we understand the agricultural sectors, marketplaces, and rural communities they serve, as well as the relevant financial markets and investors.
- We will only access and use data that are necessary to accomplish our safety and soundness and public policy objectives. We will exercise maximum caution and take all reasonable steps to protect any confidential, proprietary, or personal information that comes into our use or possession.
- Consistent with the System's cooperative structure, FCA will continue to promote strong governance, high ethical standards of conduct, and local control through our examination and regulatory activities.
- FCA understands the System's and Farmer Mac's public missions as GSEs, and we will ensure that both the System and Farmer Mac serve their public missions to agriculture and rural America.
- We will continue to promote inclusion among FCA employees. We also recognize that diversity within each System institution's customer-owner base and its workforce is critical to the institution's future success.

IV. Assumptions

We will continually monitor the following factors and refine actions necessary to achieve strategic objectives.

A. Agricultural Market Factors

1. The agricultural economy is likely to experience a period of adversity over the next few years. Lower grain and oilseed prices are causing declines in farm income, and lower farm incomes and higher interest rates are contributing to a correction in farmland values in the Midwest.
2. Grain and oilseed prices will continue to be low relative to the peak period from 2010 to 2012. Weather events and global trade developments will create price volatility.
3. Grain and oilseed producers will face several years of tight profit margins. Many producers will fail to cover their annual production costs unless they make significant operational adjustments.
4. The protein and dairy sectors will continue to experience cycles of profitability and loss as producers respond to market signals.

5. The financial health of the timber industry is largely driven by housing starts which have been rising steadily since the end of the recession. The timber sector is likely to fare well until the next recession, which will likely be accompanied by a downturn in the housing industry.
6. Rural power loans have grown in importance in the System portfolio. It is likely that there will be continued growth in this segment as power cooperatives replace aging infrastructure in coming years.
7. A correction in Midwest farmland values is currently taking place and will likely continue over the next several years because of relatively weak farm incomes and slowly rising interest rates. Economists do not expect a 1980s-type correction although values could decline over the next several years by an additional 10 to 15 percent in some regions. Farmland values in other parts of the country will be less volatile.
8. Ranchland values in cow-calf regions, after showing strength due to very good profits in 2014 and 2015, have weakened as feeder cattle prices declined and cow-calf profit margins eroded to near breakeven levels. Ranchland values will continue to decline for the next few years.
9. Urban agriculture, organic farming, and food hubs, while constituting a small part of the agriculture industry, will continue to grow. This trend may increase the need for credit programs to support the direct-to-consumer business model.
10. Young, beginning, and small (YBS) farmers and ranchers will find the economic environment especially challenging over the next few years because of their limited balance sheet strength and low profitability in many sectors of the farm economy. Among the hardest hit may be those YBS producers who lease land.
11. Weather conditions may have an adverse impact on agricultural conditions. Drought and water rights may affect planting decisions and collateral values, particularly in the West.
12. Conservation, environmental, food safety, public health, and animal welfare are among the many issues that will influence decision makers in agriculture.
13. Greater diversity in the U.S. population will increase diversity in agriculture and among System borrowers.
14. A growing global population will place greater demands on the food supply. Agricultural exports and trade relationships will be vital to the industry. China will continue to have a large impact on global demand for agricultural commodities.
15. Labor shortages may intensify in coming years depending on the direction taken by the country's immigration policy. Several farm industries may be affected including fruit, vegetables, dairy, poultry and livestock.
16. The changing use of data in agriculture will foster innovation and improve operational awareness and efficiencies.

B. General Economic Factors

1. Interest rates, while currently at historic lows, will likely rise slowly over the next few years.
2. The exchange value of the dollar will likely remain high relative to the currencies of our

trading partners and competitors, making it more difficult to compete in agricultural export markets.

3. Barring significant adverse events, the System and Farmer Mac will continue to have access to the capital markets at favorable rates.
4. The rural economy in farm-dependent counties will struggle over the next few years because of lower farm incomes. Although rural employment has stabilized and is growing slowly, it remains well below the levels achieved prior to the Great Recession. Rural population is experiencing little to no growth. These factors suggest continued pressure on rural economies which may adversely affect small farmers, many of whom rely on off-farm income.
5. Uncertain and potentially volatile geopolitical conditions may have far-reaching effects on the global economic environment. Developments could affect interest rates, energy prices, and trade flows.

C. Government Policy Factors

1. Congress may pursue GSE reform over the next few years. Such reform efforts will most likely start with Fannie Mae and Freddie Mac. It remains unclear how these efforts will affect FCA, the System, and Farmer Mac.
2. Government cybersecurity requirements will increase, which may increase costs.
3. Congress may pursue Inspector General reform, but it remains unclear how such efforts might affect FCA.
4. The federal agencies that regulate financial institutions and financial services continue to adapt to Wall Street reform (the changes in Dodd-Frank Wall Street Reform and Consumer Protection Act). Complying with the Consumer Financial Protection Act of 2010 may impose additional reporting and regulatory requirements on the System.
5. Legislative developments regarding agriculture and finance may change the business environment of the System and Farmer Mac.
6. Domestic farm policy, including farm commodity programs, crop insurance, and disaster programs, remains in place to support farmers through the 2018 crop year. However, budgetary pressures may reduce support either in appropriations bills or the next Farm Bill.
7. Changes in government policies related to renewable fuels may affect demand for agricultural products and services.

D. Farm Credit System Factors

1. Structural changes, such as consolidations, mergers, alliances, and re-affiliations, will likely continue — in the System and in agriculture. The System will have to decide the best structure for balancing the competitive marketplace with cooperative principles and risk management.
2. Without significant operational adjustments, the declining profit margins of System borrowers will cause an increase in criticized and adverse loan volume. As a result, our examinations will have an increased focus on borrower rights compliance and

institutions’ servicing of distressed loans.

3. Growing competition for borrowers in mature industries could mean that the System and Farmer Mac will seek to grow their business by expanding into new and possibly riskier markets. The System and Farmer Mac may also modify their underwriting and pricing structures.
4. An increase in retirements and a loss of institutional knowledge will challenge the System. Human capital programs will remain critical to attracting and retaining a diverse and knowledgeable workforce. Changes in the demographics of communities and markets will challenge System institutions to reflect those changes in their workforce and customer- owner base.
5. To assess emerging industry, institution and System risk, improvements in data retrieval, security, usability, and sharing will be critical. These improvements are critical for data shared among FCA employees, as well as for data shared between System institutions and FCA.
6. Heightened concern about cybersecurity will require System institutions and Farmer Mac to better understand cybersecurity risks and to ensure they have appropriate controls.
7. System institutions and Farmer Mac will need to be prepared for significant financial reporting changes in the coming years because of changes in accounting rules by the Financial Accounting Standards Board and the new capital regulations for the System.
8. The System will need to monitor and update practices and procedures related to the consumer compliance requirements of the Consumer Financial Protection Bureau.
9. Congress and the public will continue to scrutinize the System’s GSE status because of factors such as reputation risks and concerns about the System’s legislative mission. To address these concerns, the System will need to maintain strong communication channels with Congress and key stakeholders such as agricultural producers, farmer cooperatives, processers and marketers, and rural communities.
10. The System must adapt to changes in traditional agriculture and embrace new approaches, such as urban, specialty, and organic farming. These changes will challenge the System to find creative ways to balance safety and soundness with opportunities to serve new or emerging market segments.

E. Agency Factors

1. Human capital challenges, including the need to recruit and retain a diverse, talented workforce, will continue. FCA may lose many seasoned, knowledgeable employees because of retirements and attrition over the planning horizon. As a result, knowledge transfer continues to be important. At the same time, these retirements will bring opportunities to develop new thought leaders who can bring diversity into the management and executive ranks of the agency.
2. FCA’s communication and relationships with Congress, the other financial regulators, agricultural groups, academia, and other stakeholders will continue to be important.
3. Technology and cybersecurity are critical to our ability to carry out our mission, and their importance will continue to increase as will the need for regulations governing them.

4. FCA will ensure that mergers and consolidations are consistent with the principles and mission of the Farm Credit Act while maintaining or improving the safety and soundness of the System.
5. We will need to continually evaluate how best to fulfill our mission to remain an effective, efficient, secure, and strong arm's length regulator.
6. Rising credit risk in the System and softening in the agricultural economy will likely create greater demands on the agency.

V. Agency Goals

FCA has three strategic goals that link directly to what we do. Under each goal, we have identified several strategies and actions that the FCA Board expects management to take towards accomplishing that goal. These strategies and actions will serve to measurably improve the agency's results. The agency will provide periodic reports to the FCA Board on the implementation of the strategies and actions in this strategic plan.

Goal I: Ensure that the FCS and Farmer Mac fulfill their public missions for agriculture and rural areas.

The agricultural industry continues to change. Agricultural production and processing methods are evolving and becoming more integrated. The demographics of farmers and agricultural producers are gradually changing. The varieties and types of food and fiber production continue to grow. Trends, such as heightened demand for locally grown and specialty foods, and the growth in urban agriculture, are creating additional options for persons interested in becoming farmers, ranchers, and agricultural suppliers and distributors.

As these changes occur, the credit and related financial service needs of agricultural producers are evolving, and meeting those needs is a growing challenge. The following factors further increase this challenge:

- Volatile commodity and energy prices
- Greater global competition
- Changing public policy objectives
- Continued concentration and integration in agriculture
- Concerns about the safety and security of the food supply
- Transition to the next generation of agriculture producers
- The need to improve producers' income

To position FCA, the System, and Farmer Mac to meet these challenges in a timely manner, we adopt the following strategies and actions.

Strategic Objective	Action(s)
1. Ensure that the capital rules for the FCS and Farmer Mac are consistent with standards for the financial service industry and preserve their financial strength and stability so they can meet the credit needs of eligible borrowers.	• Periodically evaluate major or minor revisions and technical changes to capital rules implemented in 2017. Ensure rules: (1) remain consistent with U.S. Basel III, rules adopted and revised by Federal Banking Regulatory Authorities, and cooperative principles, (2) are enforceable, and (3) can be understood and implemented. • In our oversight, continue to emphasize Farmer Mac's capital planning and stress testing.
2. Within the framework of the Farm Credit Act, develop and update policies and regulations as appropriate so that the System, including Farmer Mac, can continue to effectively serve its members as conditions in agriculture and rural America change.	• Support policy and regulatory positions with sound regulatory, economic, legal, and financial analysis. • Develop and maintain economic and financial databases, reports, and dashboards to supply the information our employees need to examine institutions, conduct systemic risk analyses and develop policy and regulations. • Identify and eliminate unnecessary regulatory burdens and other barriers to the System's ability to serve the needs of all eligible borrowers.
3. Emphasize the public purpose and mission-related responsibilities of the agricultural GSEs to serve all of agriculture and rural America. This includes innovative programs for serving the credit and related service needs of YBS farmers, ranchers, and producers and harvesters of aquatic products.	• Evaluate System program requests to ensure the programs will improve the well-being of farmers, ranchers, and rural communities. • Enhance YBS data analysis to better assess System progress in serving YBS borrowers and to identify further opportunities for improving service to these borrowers. • Encourage System institutions to evaluate their YBS programs to ensure that the programs also meet the credit and financial service needs of producers seeking to enter urban agriculture, produce local foods, or use direct-to-consumer marketing channels. • Emphasize Farmer Mac's obligation to promote and encourage the inclusion of qualified loans for small farms and family farmers in the agricultural mortgage secondary market.
4. Encourage the System to provide products and services to all creditworthy and eligible potential borrowers and to promote outreach to enhance diversity and inclusion.	• Evaluate outreach efforts to target all who are creditworthy and eligible to borrow from the System.
5. Encourage diversity on the boards and in the workforce of System institutions.	• Evaluate outreach efforts to target eligible candidates for board and institution personnel positions.

Strategic Objective	Action(s)
6. Consistent with the Farm Credit Act, enable the agricultural GSEs to structure themselves to best serve their members and rural America.	• Review and revise, as necessary, regulations and policy guidance concerning mergers and other issues pertaining to corporate structure. • Review each merger or re-affiliation application to ensure that it promotes safety and soundness for the institution and the System, and furthers the objectives of the Farm Credit Act.
7. Encourage System institutions to be conscious of the reputation risk associated with their lending and investment decisions.	• Provide guidance to the FCS about FCA's expectations for assessing, analyzing, and mitigating reputation risks.
8. Promote public trust in FCA's regulatory framework for the System and Farmer Mac by developing policy guidance that supports mission achievement, financial stability, and transparency.	• Evaluate and report to the FCA Board any significant environmental, economic, and financial issues that may affect the mission performance of the System and Farmer Mac and the well-being of agricultural producers.
9. Encourage full participation of stakeholders in the development and review of regulatory and policy proposals as appropriate.	• Enhance constructive communication between internal and external stakeholders about policy and regulation development.

Goal II: Evaluate risk and provide timely and proactive oversight to ensure the safety and soundness of the System and Farmer Mac.

As the System continues to consolidate and institutions become larger and more sophisticated, our ability to effectively examine and monitor risk becomes even more critical. We must ensure that FCA, the System, and Farmer Mac have the ability to manage data to operate effectively. To accomplish this goal, we adopt the following strategies and actions:

Strategic Objective	Action(s)
1. Seek early FCA Board input on policy and regulatory issues. Ensure that the Board has timely and comprehensive information to be fully informed and able to respond appropriately.	• Provide the board with timely reports and briefings on emerging issues and proposed options for consideration.
2. Maintain strong and frequent two-way communication with stakeholders on issues of risk and safety and soundness.	• Continue communication with our stakeholders through meetings, briefings, and written communication. • Investigate and respond to written borrower complaints and inquiries from institutions.
3. Continue proactive oversight of institution-specific and systemic risks.	• Maintain a strong examination program. • Evaluate whether FCS board governance practices are keeping pace with System institutions' increasing operational size and complexity. • Ensure internal controls in the System continue to strengthen and remain effective. • Monitor and evaluate the economic and financial environment, and identify emerging institutional and systemic risks.
4. Effectively remediate weakened institutions.	• Use our supervisory strategies and enforcement authorities to remedy weaknesses at troubled institutions in a timely and effective manner.
5. Ensure that technology, information management, and cybersecurity awareness are priorities at FCA and in the FCS.	• Invest in technology and modernize examination and analysis tools to enhance staff abilities to advance our examination, analysis, and policymaking roles. • Develop a clear and executable set of policies and procedures that establish a federally compliant cybersecurity and computing environment. • Enhance our use of loan data in examination, systemic risk analysis, and policymaking. • Increase the capacity to measure and monitor collateral risk arising from volatile commodity and land prices and Systemwide loan exposure. • Evaluate and assess the adequacy of System institutions' and FCA's cybersecurity preparedness.

Strategic Objective	Action(s)
6. Ensure that strong governance, standards of conduct, and ethical behavior are part of the organizational culture of the FCS.	• Continue to examine the governance practices, standards of conduct, and ethics programs at System institutions.

Goal III: Cultivate an environment that fosters a well-trained, motivated, and diverse staff while providing an effective plan for leadership succession.

To be an effective organization, we need the right number of people with the right skills, experiences, and competencies. We will need all of the following elements to be successful:

- A resilient, adaptable workforce
- A framework for leveraging our strengths to reduce the impact of human capital risks on our operations
- Diverse and high-performing teams
- Knowledgeable, motivating, and positive leaders
- Mission-centered learning and engagement programs and processes
- Employee-centered work-life programs and engaging, career-building opportunities
- The infrastructure necessary to ensure the success of a geographically distributed workforce

The strategies and actions below will help us achieve this goal. They will also give us the flexibility to modify the Human Capital Plan to effectively accomplish the agency's mission.

Strategic Objective	Action(s)
1. Maintain a highly skilled, motivated, and diverse workforce to meet FCA's current and future regulatory development, risk analysis, examination, and supervision needs.	• Develop process maps for regulatory development, risk analysis, examination, and supervision, and identify new opportunities to improve these processes. Through this action, agency leaders and managers can ensure continuity of leadership and help sustain a learning environment that drives continuous improvement in performance. • Establish policies, practices, and systems that reinforce results-oriented performance; effectively differentiate between high and low performance; and link individual, team, and unit performance to organizational goals and desired results. • Continue good-faith efforts to recruit and retain a diverse workforce throughout the agency at all levels and for all jobs. This would involve ensuring equal opportunity in recruiting, training, developing, promoting, and recognizing people.

Strategic Objective	Action(s)
2. Facilitate the development of the skills our workforce needs to evaluate FCS risk and provide timely and proactive oversight.	• Through human capital planning, identify positions and employees who are critical to the success of the agency. This involves identifying positions that present "key-person dependency" risks and ensuring that we have plans to manage succession for these positions and to build bench strength. • Provide training opportunities and time for staff to enhance the technical and soft skills necessary for their current positions and career advancement. • Increase staff efficiency through the use of leading edge information technology and software. At the same time, we must ensure that systems and people are vigilant against cyberthreats. • Focus on developing the management skills of a more diverse pool of employees.
3. Ensure adequate succession planning and knowledge transfer to ensure that future FCA leadership and staff possess the knowledge and skills required to be an effective arm's length regulator.	• Enhance leadership and skill development by creating more opportunities for staff members to collaborate on projects with staff in other offices and divisions. This could involve rotations, mentoring, and shadowing. • Enhance programs and practices to capture valuable institutional knowledge from staff by using tools such as document archiving and process mapping. • Automate institutional knowledge through software as much as possible.
4. Encourage a workplace culture that motivates staff to be engaged, embraces diversity in all its forms and promotes strong ethical behavior.	• Analyze and evaluate the results of the Annual Employee Satisfaction Survey and take appropriate action to improve satisfaction and encourage staff. • Continue to seek input through employee communication channels. • Provide continued training to agency staff on diversity, unintended biases, and working in cross-generational teams. • Continue to support a strong ethics program that provides direction for the conduct of agency business in an independent, ethical, and arm's length manner.

VI. Agency Performance Measures

Goal I: Ensure that the FCS and Farmer Mac fulfill their public missions for agriculture and rural areas.

Desired Outcome
A regulatory environment that provides for fulfilling the public missions of the System and Farmer Mac.
Performance Measures
1. Percentage of FCS institutions providing products and services that serve creditworthy and eligible persons and perform outreach to enhance diversity and inclusion. (Target: $\geq$ 90 percent) *Primary Responsibility:* Office of Examination
2. Whether Farmer Mac's business plan contains strategies to promote and encourage the inclusion of all qualified loans, including loans to small farms and family farmers, in its secondary market programs, and whether its business activities further its mission to provide a source of long-term credit and liquidity for qualifying loans. (Target: Yes) *Primary Responsibility:* Office of Secondary Market Oversight
3. Percentage of direct-lender institutions with satisfactory consumer and borrower rights compliance. (Target: $\geq$ 90 percent) *Primary Responsibility:* Office of Examination
4. Percentage of direct-lender institutions with YBS programs that are in compliance with YBS regulations. (Target: $\geq$ 90 percent) *Primary Responsibility:* Office of Examination/Office of Regulatory Policy
5. Whether the majority of objectives listed in the preamble of each final rule were met on the two-year anniversary of the rule's effective or implementation date. (Target: Yes) *Primary Responsibility:* Office of Regulatory Policy
6. Percentage of pre-rulemaking projects and proposed rules on which FCA requested input from persons outside of FCA. (This measure considers all of the pre-rulemaking projects and proposed rules that were listed as completed on FCA's Unified Agenda Abstracts for the reporting period.) (Target: 100 percent) *Primary Responsibility:* Office of Regulatory Policy

Goal II: Evaluate risk and provide timely and proactive oversight to ensure the safety and soundness of the FCS and Farmer Mac.

Desired Outcome
Effective risk identification and timely corrective action.
Performance Measures
1. Percentage of System assets in institutions with composite CAMELS ratings of 1 or 2. (Target: ≥ 90 percent) *Primary Responsibility:* Office of Examination
2. Percentage of requirements in supervisory agreements with which FCS institutions have at least substantially complied within 18 months of execution of the agreements. (Target: ≥80 percent) *Primary Responsibility:* Office of Examination
3. Percentage of institutions complying with regulatory capital ratio requirements. (Target: ≥90 percent) *Primary Responsibility:* Office of Examination
4. Whether the Office of Secondary Market Oversight's examination and oversight plan and activities effectively identify emerging risks, and whether appropriate supervisory and corrective actions have been taken to effect change when needed. (Target: Yes) *Primary Responsibility:* Office of Secondary Market Oversight
5. Percentage of institutions with satisfactory audit and review programs, including institutions with acceptable corrective action plans. (Target: 100 percent) *Primary Responsibility:* Office of Examination
6. Whether five or more reports and dashboards were created that use data collected from the Farm Credit System to assess risk in the System. (Target: Yes) *Primary Responsibility:* Office of Information Technology

Goal III: Cultivate an environment that fosters a well-trained, motivated, and diverse staff while providing an effective plan for leadership succession.

Desired Outcome
A high-performing, diverse workforce that supports the mission of the agency.
Performance Measures
1. As a part of recruiting efforts for entry level examiners, FCA will ensure that at least 25 percent of its outreach efforts target disabled or minority potential applicants. (Target 25%) *Primary Responsibility:* Office of Agency Services
2. Whether we have maintained or improved our score from last year in the Annual Employee Satisfaction Survey. (Target: Yes) *Primary Responsibility:* Office of Agency Services

FCA White House Transition

Office of Examination

FCA's Office of Examination (OE) is responsible for examining and supervising the Farm Credit System (FCS or System) institutions in accordance with the Farm Credit Act and applicable regulations. OE conducts oversight and examination activities, monitors the System's condition and risks, and develops supervisory strategies, to ensure the FCS operates in a safe and sound manner and fulfills its public policy purpose. At least once every 18 months, OE prepares and presents a Report of Examination to each FCS institution. OE also manages and executes the Agency's enforcement authorities with FCS institutions, as needed.

The Chief Examiner manages OE and provides the overall direction and coordination of the national oversight, examination, and supervisory programs. The Director of Operations assists the Chief Examiner with these activities.

OE has about 180 employees in five divisions. These include the Association Examination, Bank Examination, Examination Policy, Risk Supervision, and Staff Development Divisions. OE is in five field office locations in Bloomington, Minnesota; Dallas, Texas; Denver, Colorado; McLean, Virginia; and Sacramento, California.

Mission

The Office of Examination ensures a safe and sound Farm Credit System so that it can accomplish its public policy mandate as a government-sponsored enterprise serving agriculture and rural America.

OE's national oversight and examination program allows flexible resource deployment to address changing conditions and risk environments. OE's four primary objectives reflecting our areas of focus and priority are:

1. Provide strategic, proactive risk supervision and examination of the System through institution-specific, risk-based oversight and examination activities.

    - OE emphasizes risk-based oversight and examination tailored to each institution.
    - OE identifies and evaluates emerging issues that create Systemwide risk and allocates oversight and examination resources based on that risk. A key to this approach is the national oversight plan that guides our nationally focused efforts to ensure the System's safety and soundness. Topics for FY 2021 include credit risk management and loan servicing, and operational risk management.
    - OE uses supervisory strategies and enforcement authorities to remedy weaknesses, when necessary.

2. Evaluate the System's fulfillment of its GSE public mission in meeting the changing needs of agriculture and rural America.

   - OE evaluates System institutions' lending programs and financially related services to ensure the System is providing credit and related services to all eligible borrowers.
   - OE's examinations address System institutions' efforts to promote diversity and inclusion in lending practices, and among staff and management.
   - OE's examinations address compliance with mission-related regulations, including young, beginning, and small farmer programs and borrower rights regulations.

3. Ensure sufficient, highly skilled resources to accomplish our mission through proactive human capital management and transfer of knowledge and skills to the next generation of staff.

   - OE continues to recruit, train, and commission a diverse group of examination staff as part of our Commissioning Program.
   - OE emphasizes the importance of technical and communication skills for all staff to examine increasingly complex institutions and prepare for advanced roles and responsibilities.
   - OE focuses on developing and retaining tenured staff through the FCA Examiner Career Development Directive, including the Specialist and Examination Management programs.

4. Maximize operational efficiency and effectiveness through technology, data analytics, infrastructure support, and examination guidance.

   - OE emphasizes technology use to improve operational efficiency and effectiveness through modernized examination guidance and tools and data analytics.
   - OE continues to increase and improve the use of technology (e.g. videoconferencing and teleconferencing) for examination-related activities.
   - OE routinely develops and communicates guidance on examination-related issues to staff and the System.

OE reports regularly to the FCA Board. In accordance with Policy Statement 53, the Chief Examiner annually provides the Board an oversight and examination plan (plan) for approval that:

- Assesses the condition of and risks affecting the System at large and in specific institutions;
- Establishes priorities and identifies staffing, training, and budgetary needs;
- Includes an examination schedule that ensures statutory requirements are met; and,
- Includes operational objectives and strategies for meeting the plan.

The Chief Examiner reports semi-annually to the Board on the status of, and adjustments to, the plan. The Chief Examiner also reports quarterly on the current condition of the Farm Credit System, emerging risks, and any necessary follow-up strategies.

ABOUT THE FARM CREDIT SYSTEM

Mission

Farm Credit's mission is to support rural communities and agriculture with reliable, consistent credit and financial services, today and tomorrow.

Overview

Farm Credit was established 100 years ago and includes a group of financial cooperatives that serve local and regional markets throughout the U.S. and Puerto Rico. As cooperatives, each Farm Credit organization is owned by its customers, is governed by a board of directors primarily elected from these borrower-owners, and shares profits with its borrower-owners through patronage dividends.

A total of 68 Farm Credit associations are provided funding through one of four regional wholesale banks: AgFirst, AgriBank, CoBank and the Farm Credit Bank of Texas. Farm Credit's funds are raised by the Federal Farm Credit Banks Funding Corporation, and insured by the Farm Credit System Insurance Corporation. FCA is the regulator of the Farm Credit System and its institutions.

Farm Credit's Customers

- Agricultural Producers
- Agricultural Cooperatives
- Agribusinesses
- Rural Infrastructure Providers
- Young, Beginning, and Small Farmers
- Rural Home Owners

Variety of Rural Loans and Related Services

- Short-, intermediate- and long-term loans
- Operating lines of credit
- Leases
- Participations and syndications for large capital needs
- Rural home loans
- Land loans
- Real estate appraisals
- Crop insurance
- Cash management services
- Industry sector benchmarking and reports

Key Statistics (June 30, 2020)

- $385 billion in total assets
- $297 billion in gross loans and about 580,000 borrower-owners
- Loan portfolio quality continues to be good with 93.2% acceptable classifications
- Some future concerns with cash grain, dairy and protein sectors
- $2.9 billion year-to-date net income

- Capital as a percentage of total assets strong at 16.8 percent
- Liquidity position remains strong with 180 days of available liquidity
- Nearly 95% of institutions have a 1 or 2 rating under the Financial Institution Rating System

Farm Credit Administration

1501 Farm Credit Drive
McLean, VA 22102-5090
(703) 883-4000

INFORMATIONAL MEMORANDUM

October 5, 2020

To: Chair, Board of Directors
Chief Executive Officer
Each Farm Credit System Institution

From: Roger Paulsen, Director and Chief Examiner
Office of Examination

Subject: National Oversight Plan for Fiscal Year 2021

The Farm Credit Administration's Office of Examination annually establishes a National Oversight Plan (NOP) as part of its planning processes. The NOP identifies risk topics FCA examiners will emphasize in examination and oversight activities for the new fiscal year (FY). We issue this informational memorandum each year to notify Farm Credit System (System) institutions about our concerns and priorities. Please consider them in your risk assessment and planning processes.

First, we would like to recognize your efforts over the past few months to manage the unprecedented challenges of the COVID-19 pandemic. Many of you have made significant operational adjustments and modifications to continue meeting customer needs while also maintaining the health and safety of your personnel. FCA has faced similar challenges during this time, and we've made adjustments in how we conduct our examinations. We appreciate your efforts to accommodate these changes as we continue to meet our mission, while also ensuring we maintain the health and safety of your staff as well as our own.

Through the NOP, we identify the risk topics we're emphasizing in our examination and oversight of System institutions. The emergence of the COVID-19 pandemic intensified the credit and operational risks facing many System institutions and borrowers — the full extent of which still remains unknown. Given the challenges of the pandemic and adverse conditions in significant parts of the agricultural economy, we anticipate that the effect of the credit stress will become clearer with borrowers and institutions in 2021. Also, many of you have made changes to business activities and processes in response to the pandemic. These changes may have impacted operational risks, necessitating changes to your plans and controls.

Based on these conditions, we identified two NOP risk topics for fiscal year 2021:

- Credit – Risk management and loan servicing
- Operational risk – Management's actions in response to risk and the pandemic

Credit – Risk management and loan servicing

Pressure on commodity prices due to ample supplies and weak trade, as well as the pandemic, will continue impacting agriculture, the System, and its borrowers. Despite increased risk, credit quality has remained well within the System's risk-bearing capacity. Furthermore, borrowers continue to benefit from government assistance, stable real estate values, and low interest rates.

Nonetheless, we expect System institutions to continue to face credit stress because of ongoing challenges in the livestock and dairy sectors caused by supply chain and processing disruptions at the onset of the pandemic. The grain sector also remains under considerable stress because of reduced ethanol demand, projected large crop inventories, and continued low price forecasts.

Timely and effective risk identification, risk management, and loan servicing are increasingly important. Our FY 2021 examination program will emphasize these areas, particularly for portfolios with commodity concentrations in stressed industries.

Where appropriate, we will focus on ensuring timely and accurate risk identification, effective internal credit reviews, robust stress testing, and well-supported allowances for loan losses. We will also examine the effectiveness of loan servicing, including servicing related to deferral programs and borrower rights. Finally, we will evaluate the adequacy of institutions' processes to identify, report, and manage affiliated exposures related to large borrowers and processors. We will give special attention to the most stressed industries.

Operational risk – Management's actions in response to risk and the pandemic

The pandemic will continue impacting institutions' business operations. Many institutions materially modified operational processes to continue providing products and services while adhering to stay-at-home and social distancing guidelines. Operational modifications, including extensive use of work-at-home strategies and the need to quickly implement various stimulus programs, may have stressed change management processes. Also, government programs and policies aimed at supporting and helping customers affected by the pandemic may have impacted your institution's economic and regulatory landscape.

Furthermore, the potential for fraud likely increased. Persons committing fraud often take advantage of opportunities created by new or expanded government programs designed to provide relief in emergency situations, such as the Coronavirus Aid, Relief, and Economic Security Act. The predominately virtual work environment and the significant shift towards remote access have likely increased the potential for fraud involving new lending programs and funds transfer activities.

Your institution's plans and controls should evolve as risks and operations change. Our FY 2021 examinations will focus on adjustments to operations, strategic business plans, controls, and internal audit risk assessments in response to the pandemic and other risks.

We will assess how you responded to the effects of the pandemic and other material factors impacting the current business environment in your 2021 business plan. We also will evaluate your internal audit risk assessments and plans, and review adjustments to audit scopes and completion resulting from the pandemic's wide-ranging operational impact. Finally, we will evaluate the adequacy of your initial and ongoing fraud risk assessment and changes you've made to your controls following the onset of the pandemic.

In addition, we will begin applying our new model risk management guidance in 2021 examination activities. System institutions rely on models in many decision-making aspects, which presents model risk. The pandemic may have increased model risk by introducing more uncertainty to the inputs and assumptions used, thus impacting some models' predictability and reliability. We will focus on examining policies, procedures, and processes for model development, implementation, and validation, as well as change controls, internal controls, and board reporting.

LIBOR phaseout – An area of continuing focus

Preparing for the phaseout of the London Interbank Offered Rate (LIBOR) at year-end 2021 is critical, especially if your institution has material LIBOR exposures. We communicated our expectations in a September 11, 2018, informational memorandum. Since then, System institutions have taken significant actions to prepare for the phaseout by developing transition plans, revising fallback provisions in loan documents, and forming workgroups to direct and coordinate actions at the institution, district, and System levels.

As we approach the phaseout date, your institution's transition plan should reflect increased urgency and identify actions to implement all remaining transition requirements within established timeframes. In the new fiscal year, we will continue examining these plans and actions as part of our oversight and examination activities.

We will ensure that your transition plan has detailed action steps with timeframes for key objectives, such as stopping the inflow of new LIBOR volume, reducing exposures, revising fallback provisions in legacy contracts, and adjusting operational processes and accounting systems. We also will evaluate the frequency and adequacy of board reporting, particularly on the topics of LIBOR exposure trends, implementation of the transition plan, and analyses of the impact the phaseout will have on your institution.

Young, beginning, and small farmers and ranchers

As you know, the future of agriculture depends in large part on the success of young, beginning, and small producers. Because of this, the agency is exploring additional opportunities to share ideas with System institutions in FY 2021 to enhance service to these producers.

Please consider the priorities we've discussed in this informational memorandum in your 2021 planning. Please distribute this document to your board members and discuss it with your Audit Committee chair, other board committees, and executive management team. Your examiner-in-charge will discuss the priorities we've identified here with your board in an upcoming videoconference or phone call.

Please contact your designated examiner-in-charge or me at (703) 883-4265 (paulsenr@fca.gov) if you have any questions.

FCA White House Transition:
Office of Secondary Market Oversight

OFFICE OF SECONDARY MARKET OVERSIGHT (OSMO)

OSMO is a separate office within the FCA and reports to the Board Chairman. The Farm Credit Act of 1971, as amended, explains that FCA, through OSMO, has oversight, regulation, examination, and enforcement authority over the Federal Agricultural Mortgage Corporation (Farmer Mac). OSMO is to use this authority to ensure the safe and sound performance of Farmer Mac, and to ensure Famer Mac fulfills its public policy purpose. OSMO prepares and presents a Report of Examination (report) on an annual basis.

OFFICE OF SECONDARY MARKET OVERSIGHT
FUNCTIONAL STATEMENT

The Office of Secondary Market Oversight provides for the examination and oversight of Farmer Mac.

OSMO has two important operational objectives:

1. Ensure that Farmer Mac remains safe and sound.
2. Promote accomplishment of Farmer Mac's public policy purpose as authorized by Congress.

Accordingly, OSMO's principal functions are:

<u>Safety and Soundness</u>

- Monitoring, analyzing, and remaining knowledgeable of Farmer Mac's operations, performance, and financial condition.
- Providing for and directing the annual examination of Farmer Mac.
- Developing and implementing a comprehensive oversight plan for Farmer Mac that ensures appropriate levels of regulations, risk-based examination, and supervision.
- Effectively communicating FCA's perspective on Farmer Mac's operations and condition to the Farmer Mac Board and management.
- Reporting to the FCA Board and keeping other parties informed, as appropriate.

Public Policy Purpose

- Providing for and developing regulations, policies, and supervisory guidance pertaining to Farmer Mac.
- Identifying revisions/refinements to the regulations and statute in keeping with the evolution of Farmer Mac's business, and making recommendations to the FCA Board, as appropriate.
- Developing and maintaining reports and disclosures of appropriate information regarding Farmer Mac's achievement of its public policy purpose as a Government-sponsored enterprise.

The Director of OSMO reports to the FCA Board as required by statute but through the FCA Chief Executive Officer for administrative matters.

About Farmer Mac:

Mission

To improve the availability of long-term credit for America's farmers, ranchers, rural utilities, businesses and communities

Corporate Overview

The Federal Agricultural Mortgage Corporation:

- A stockholder-owned, Government-sponsored enterprise (GSE) – and the sole remaining GSE traded on the New York Stock Exchange (NYSE)
- Created in 1988 as instrumentality of the United States
- A Farm Credit System Institution, but not liable for debt of any other Farm Credit System institution
- Governed by a 15-member Board equally representing insurance companies, banks, other financial institutions, Farm Credit System institutions, and the general public by five Presidential appointees (one of whom serves as Chairman).
- Executive Team:
    - Bradford Nordholm—President and Chief Executive Officer
    - Zachary Carpenter—Chief Business Officer
    - Aparna Ramesh—Chief Financial Officer and Treasurer
    - Steve Mullery—General Counsel and Secretary

Timeline of Statutory Acts and/or Amendments on Farmer Mac's Authorizing Legislation

1987— Created by the Agricultural Credit Act of 1987 and chartered by the United States Federal Government in 1988

1990— Farmer Mac II program created to provide a secondary market for certain United States Department of Agriculture (USDA)-guaranteed loan programs.

1991— FCA Office of Secondary Market Oversight established, and new minimum regulatory capital requirements set

1996— 10-percent subordination requirement removed, allowing Farmer Mac to buy or guarantee 100 percent of qualified loans

1999— First listed on the NYSE (ticker: AGM)

2008— Charter amended to allow financing of loans to rural electric and telecommunications cooperatives

Business Summary

- $22 billion in Program Business Volume as of June 30, 2020
- Business activities increase lender competition to the benefit of American agriculture and rural communities
- Provide a secondary market for qualified:
  - Agricultural mortgage loans
  - Rural housing loans
  - Rural utilities loans
  - Agricultural and rural development loans guaranteed by USDA
- Products are organized around four business lines:
  - Farm & Ranch
  - USDA Guarantees
  - Rural Utilities
  - Institutional Credit
- Farmer Mac's products broaden access and drive more efficient credit pricing and reduce agricultural credit market volatility
- Product suite to lenders includes:
  - Loan Purchases
  - Credit Guarantees
  - Wholesale Financing
- GSE funding advantage:
  - Finances asset purchases through issuance of low-cost debt
  - Issues debt at narrow spreads to Treasury
  - May issue up to 1.5 billion of obligations to Treasury to fulfill guarantees

Regulatory/Congressional Oversight

- FCA serves as primary regulator through the Office of Secondary Market Oversight
- Securities and Exchange Commission regulation under Federal securities laws since inception
- Subject to NYSE rules and regulations since 1999
- Congressional oversight through agricultural-related committees in House and Senate

FARM CREDIT ADMINISTRATION

OFFICE OF REGULATORY POLICY
EXECUTIVE SUMMARY AND ANALYSIS

Subject:	Fall 2020 Abstract of the Unified Agenda of Federal Regulatory and Deregulatory Actions and Fall 2020 Regulatory Projects Plan	**Prepared by**:	Jason Moore
		Reviewed by OGC:	Charles R. Rawls
		Reviewed by ORP:	David P. Grahn
		Date:	September 1, 2020

Issue/Decision: Whether the Farm Credit Administration (FCA) Board should approve the Fall 2020 Abstract of the Unified Agenda of Federal Regulatory and Deregulatory Actions (Abstract) and the Fall 2020 Regulatory Plan (Plan).

Recommendation: Staff recommends the FCA Board adopt the following:

> The Farm Credit Administration Board approves the attached Fall 2020 Abstract of the Unified Agenda of Federal Regulatory and Deregulatory Actions and Fall 2020 Regulatory Plan. The FCA Board authorizes staff to submit the preamble and information from the Fall 2020 Abstract of the Unified Agenda to the Office of Management and Budget's Office of Information and Regulatory Affairs. The FCA board also authorizes staff to publish the Fall 2020 Regulatory Plan on FCA's external website after the Fall 2020 Unified Agenda submissions have been accepted by the Office of Information and Regulatory Affairs.
>
> The FCA Board authorizes staff to make any technical or grammatical changes that may be necessary for publication of FCA's submission to the government-wide Fall 2020 Unified Agenda and any other changes that may be required by the Office of Information and Regulatory Affairs prior to publication.

Source of Authority: Executive Order 12866 and sections 5.9 and 5.17 of the Farm Credit Act of 1971, as amended.

Background: The Abstract (Attachment A) establishes FCA's planned regulatory and deregulatory rulemaking actions for the next twelve months. The Abstract includes completed rulemaking actions occurring since issuance of the Spring 2020 Update to the Unified Agenda of Federal Regulatory and Deregulatory Actions (Spring 2020 Update) and adds one new planned rulemaking under review. The information in the Abstract will be submitted for inclusion in the official government-wide Unified Agenda that is published electronically by the Office of Management and Budget-Office of Information and Regulatory Affairs (OIRA).

Attachment B explains the priority given to the rulemaking actions listed in the Abstract and it explains the different rulemaking stages in which a rulemaking action can be classified on the

Abstract. The Abstract does not identify any "Economically Significant" rulemaking items for the next twelve months. Instead, all planned rulemaking items are identified as "Other Significant."

Separately, the Plan (Attachment C) contains those rulemaking activities that have a planned action; it does not contain completed actions. As a result, the Plan contains fewer items than listed in the Abstract. FCA also publishes the Plan on its website as another method of keeping the public informed of intended regulatory activities.

OIRA has determined a "base date" of November 2020 for projected next actions. The "base date" is the starting date for listing planned future actions and premised upon when the government-wide Unified Agenda is issued. Those regulatory actions with a date before the "base date" are reported to OIRA as "completed."

COVID-19 Pandemic Regulatory Pause: In order to allow both the Farm Credit System and FCA to focus their efforts on responding to the COVID-19 crisis, the FCA board instituted a regulatory pause on April 9, 2020. The FCA board lifted the regulatory pause on July 10, 2020. The regulatory pause delayed publishing within the Federal Register three rules approved at the February 2020 board meeting.[1] It also delayed rulemaking activities listed in FCA's Spring 2020 Update. This has resulted in new target completion dates for projects listed on the Abstract.

Planned Actions in the next Twelve Months: The Abstract lists two "end review" projects (Cooperative Principles and Young, Beginning, Small Farmers and Ranchers) and a total of nine rulemaking actions, of which five are proposed rules, and four are final rules. One of the four final rules was approved by the FCA Board in February 2020 but has been withheld from publication (denoted with an asterisk).

1st quarter of FY 2021 (October-December)

1. Appraisal Regulations (Notice of Proposed Rulemaking)

2nd quarter of FY 2021 (January-March)

2. Standards of Conduct (Final Rule)
3. Bank Liquidity (Advance Notice of Proposed Rulemaking)
4. Borrower Rights-Distressed Loan Servicing (Notice of Proposed Rulemaking)
5. Risk Weighting of High Volatility Commercial Real Estate (HVCRE) Exposures (Notice of Proposed Rulemaking)
6. Cooperative Principles (End Review)

3rd quarter of FY 2021 (April-June)

7. Limitations on Bank Director Compensation (Notice of Proposed Rulemaking)
8. Eligibility Criteria for Outside Directors (Final Rule)*

4th quarter of FY 2021

9. Revision to Tier 1/Tier 2 Capital Framework (Final Rule)

[1] The three rules delayed were as follows: Revision to Tier 1/Tier 2 Capital Framework (Notice of Proposed Rule Making); Criteria to Reinstate Non-Accrual Loans (Final Rule); and Eligibility Criteria for Outside Directors (Final Rule).

Long-Term Actions (12-24 months)

10. Young, Beginning, Small Farmers and Ranchers (End Review of ANPRM comments)
11. Implementation of the Current Expected Credit Losses Methodology for Allowances and Related Adjustments to the Regulatory Capital Rule & Conforming Amendments (Final Rule)

The Abstract informs the public of the date that the FCA Board plans to take action on each item. FCA is not bound to the dates identified in the Abstract, as the dates are only designed to represent the current estimated timing for each rulemaking action.

Completed rulemaking actions: The Abstract identifies six completed rulemaking actions occurring since publication of the Spring 2020 Update. The Abstract also identifies two rulemaking actions approved at the February 2020 FCA board meeting, but FCA's regulatory pause delayed Federal Register publication (denoted with asterisks).[2] Rulemaking actions are considered "completed" when the action is published in the Federal Register. The actions identified in the Abstract as "completed" are:

1. Revision to Tier 1/Tier 2 Capital Framework – Notice of Proposed Rule Making*
2. Criteria to Reinstate Non-Accrual Loans – Final Rule*
3. Margin and Capital Requirements for Covered Swap Entities – LIBOR – Final Rule– Joint Agency Rulemaking
4. Margin and Capital Requirements for Covered Swap Entities – Final Rule– Joint Agency Rulemaking
5. Margin and Capital Requirements for Covered Swap Entitles – Phase Extension – Interim Final Rule – Joint Agency Rulemaking
6. Investment Eligibility – Final Rule
7. Amortization Limits – Agricultural Credit Associations and Production Credit Associations – Final Rule
8. District Financial Reporting (Final Rule)

Presidential Executive Order 13771: Presidential Executive Order 13771 (E.O. 13771), titled "Reducing Regulation and Controlling Regulatory Costs" (issued January 30, 2017), requires Federal agencies to identify two regulations for elimination each time a new regulation is proposed. E.O. 13771 also requires Federal agencies to manage the cost of rulemaking by offsetting the cost incurred in issuing a new regulation with the savings achieved by eliminating two other regulations. Guidance from OIRA, dated April 5, 2017, (M-17-21), explains that the term "agency" as used in E.O. 13771 does not include independent regulatory agencies, as that

[2] On July 21, 2020, Revision to Tier 1/Tier 2 Capital Framework (Notice of Proposed Rule Making) and Criteria to Reinstate Non-Accrual Loans (Final Rule) were sent to the Federal Register for publication. Criteria to Reinstate Non-Accrual Loans (Final Rule) was published in the Federal Register on August 25, 2020. The Tier 1/Tier 2 Capital Framework proposed rule has not yet been published. Eligibility Criteria for Outside Directors (Final Rule) is currently under review to address issues raised by the Farm Credit System. It is included in the Planned Actions and Rulemakings listing under 3rd quarter of FY 2021 actions.

term is defined in 44 U.S.C. 3502(5). This code section defines “independent regulatory agency” by listing several existing agencies by name, adding at the end “and any other similar agency designated by statute as a Federal independent regulatory agency or commission.” FCA is not specifically named in 44 U.S.C. 3502(5), but is designated as a Federal independent agency by statute: FCA was created as an independent agency of the Federal government by section 5.7 of the Farm Credit Act of 1971, as amended (*see* 12 U.S.C. 2241). Therefore, FCA is not required under E.O. 13771 to identify two regulations for elimination each time a new regulation is proposed.

Additional Data Fields: The Acting OMB director identified several additional fields for all active, significant actions, as defined by E.O. 12866, submitted for inclusion in this year’s Government-wide Unified Agenda. Section 3(f) of E.O. 12866 defines ‘significant regulatory action’ as any regulatory action that is likely to result in a rule that may:

1) Have an annual effect on the economy of $100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities.
2) Create a serious inconsistency or otherwise interfere with an action taken or planned by another agency.
3) Materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or
4) Raise novel legal or policy issues arising out of legal mandates, the President’s priorities, or the principles set forth in this Executive order.

All planned rulemakings in the Abstract are classified as ‘other significant’ as these are a priority to the agency. The planned rulemakings, however, do not meet the standards defined under ‘significant regulatory action’ and do not require the additional data fields.

Attachments: Fall 2020 Abstract of the Unified Agenda (Attachment A)
Rulemaking Stages and Priority of Rules in the Unified Agenda (Attachment B)
Fall 2020 Regulatory Projects Plan (Attachment C)
Fall 2020 Preamble

Fall 2020 Abstract of the Unified Agenda

of Federal Regulatory and Deregulatory Actions

Regulation[1] Title & RIN	Priority[2]	CFR Citation	Abstract	Initial Action & Date on Unified Agenda	Action & Date from Spring 2020 Abstract	Fall 2020 Updated Action & Date[3]
Oct. – Dec. 2020 **1st quarter, FY 2021**						
Appraisal Regulations **3052-AC94**	Other Significant	12 CFR part 614	This rulemaking would consider revisions to collateral evaluation regulations in light of changing credit and economic conditions.	Pre-Rule – Begin Review Fall 2013	NPRM 04/00/2020	NPRM 12/00/2020
Jan. - March 2021 **2nd quarter, FY 2021**						
Standards of Conduct **3052-AC44**	Other Significant	12 CFR part 612	This rulemaking would revise the existing standards of conduct regulations in Subpart A, Part 612, and provide for a more principle-based rule to facilitate a sound standards of conduct program at System institutions.	Final Rule Fall 2018	Final Rule 04/00/2020	Final Rule 02/00/2021
• Bank Liquidity Reserve **3052-AD44**	Other Significant	12 CFR part 615	This ANPRM would consider whether the FCA should amend its existing liquidity regulation and more closely align it with the Basel III Liquidity framework and the approach of the Federal Bank Regulatory Agencies. The ANPRM would also inquire whether a Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) in the Basel III framework is suitable for Farm Credit System banks, which operate under a cooperative structure, and do not rely on deposits to fund their assets.	New	N/A	ANPRM 02/00/2021

[1] E.O. 13771 requires Federal agencies to identify two regulations for elimination each time a new regulation is proposed and manage the cost of rulemaking through offset. OMB Guidance M-17-21 explains that the term "agency" as used in E.O. 13771 does not include independent regulatory agencies. The Farm Credit Administration was created as an independent agency of the Federal government by section 5.7 of the Farm Credit Act of 1971, as amended (12 U.S.C. 2241) so FCA is exempt from the requirement.
[2] *See* OMB Memorandum dated August 11, 2020, "Data Call for the Fall 2020 Regulatory Plan, Fall 2020 Unified Agenda of Federal Regulatory and Deregulatory Actions, and FY 2021 Regulatory Cost Allowances" and Attachment B, providing terminology for rulemaking stages and priority of rules.
[3] Dates listed in the Unified Agenda for all rulemaking stages (except completed items) are the targeted dates of FCA Board action. The Unified Agenda of Federal Regulatory and Deregulatory Actions when published will reflect "estimated publication date," which occurs after the 30-day congressional review for proposed rules. The dates shown for "Completed Regulatory Actions" are actual publication dates in the Federal Register.

Fall 2020 Abstract of the Unified Agenda
of Federal Regulatory and Deregulatory Actions

Regulation[1] Title & RIN	Priority[2]	CFR Citation	Abstract	Initial Action & Date on Unified Agenda	Action & Date from Spring 2020 Abstract	Fall 2020 Updated Action & Date[3]
Borrower Rights-Distressed Loan Servicing **3052-AD20**	Other Significant	12 CFR part 617	This rulemaking would consider revisions to subpart E of Part 617 on borrower rights to clarify disclosure and servicing requirements for distressed loans. The rulemaking would update content requirements for distressed loan notices and clarify application review procedures, including how to identify inputs for use in conducting the least cost analysis.	NPRM Fall 2016	NPRM 05/00/2020	NPRM 02/00/2021
Risk Weighting of High Volatility Commercial Real Estate (HVCRE) Exposures **3052-AD42**	Other Significant	12 CFR part 628	The rulemaking would consider amending the Tier 1/Tier 2 Capital Rule to include a 150-percent risk weight for high volatility commercial real estate (HVCRE) exposures. This rulemaking would be similar to recent changes to the capital rules of the Federal banking regulatory agencies, but it would take into account unique features of the Farm Credit System and FCA regulations.	NPRM 12/00/2020 Spring 2020	NPRM 12/00/2020	NPRM 03/00/2021
Cooperative Principles **3052-AD40**	Other Significant	12 CFR parts 611 and 615	This review would consider cooperative principles and practices at System institutions including, but not limited to, whether revisions to Parts 611 and 615 are needed regarding association stock issuance policies and the impact of those policies on district bank governance.	Begin Review 10/00/2019 Fall 2019	End Review 09/00/2020	End Review 03/00/2021
April - June 2021 3rd quarter, FY 2021						
Limitations on Bank Director Compensation **3052-AD39**	Other Significant	12 CFR part 611	This rulemaking would revise FCA regulations on compensation of bank directors to comply with the Agriculture Improvement Act of 2018.	NPRM 02/00/2020 Spring 2019	NPRM 05/00/2020	NPRM 04/00/2021

Fall 2020 Abstract of the Unified Agenda

of Federal Regulatory and Deregulatory Actions

Regulation[1] Title & RIN	Priority[2]	CFR Citation	Abstract	Initial Action & Date on Unified Agenda	Action & Date from Spring 2020 Abstract	Fall 2020 Updated Action & Date[3]
Eligibility Criteria for Outside Directors **3052-AC97**	Other Significant	12 CFR parts 611 and 619	This rulemaking would consider eligibility criteria for outside directors, particularly in situations where an individual owns an interest in an entity that is a borrower/stockholder of a Farm Credit System bank or association.	Pre-Rule - Begin Review Fall 2013	Final Rule 02/00/2020	Final Rule 06/00/2021
August - Sept. 2021 **4th quarter, FY 2021**						
Revision to Tier 1/ Tier 2 Capital Framework **3052-AD27**	Other Significant	12 CFR parts 614, 615, 620, and 628	This rulemaking would amend the Tier 1/ Tier 2 Regulatory Capital and related regulations by making technical and minor substantive corrections and clarifications.	NPRM Spring 2017	NPRM 02/00/2020	Final Rule 09/00/2021
Long-Term Actions **(12-24 mo.)**						
Young, Beginning, and Small Farmers and Ranchers **3052-AD32**	Other Significant	12 CFR part 614	This rulemaking would consider changing how the collection of data on young, beginning and small (YBS) farmers and ranchers changes is done to improve reporting of YBS farmers and ranchers' operations and achievements. Additionally, this rulemaking would consider formalizing the definitions of "young," "beginning," and "small" farmers and ranchers to alleviate variability in reported YBS data.	ANPRM Fall 2018	End Review 12/00/2021	End Review 12/00/2021

Fall 2020 Abstract of the Unified Agenda
of Federal Regulatory and Deregulatory Actions

Regulation[1] Title & RIN	Priority[2]	CFR Citation	Abstract	Initial Action & Date on Unified Agenda	Action & Date from Spring 2020 Abstract	Fall 2020 Updated Action & Date[3]
Implementation of the Current Expected Credit Losses Methodology for Allowances and Related Adjustments to the Regulatory Capital Rule & Conforming Amendments **3052-AD36**	Other Significant	12 CFR part 628	This rulemaking would address changes to U.S. generally accepted accounting principles (U.S. GAAP) described in Accounting Standards Update No. 201613, Topic 326, Financial Instruments Credit Losses (ASU 201613), including System institutions' implementation of the current expected credit losses methodology. Specifically, the proposal would revise the Agency's regulatory capital rules to identify which credit loss allowances under the new accounting standard are eligible for inclusion in regulatory capital. The rulemaking would also make conforming amendments to other regulations that reference credit loss allowances.	NPRM 07/00/2019 Spring 2019	Final rule 12/00/2021	Final rule 06/00/2022
Completed Actions						
Revision to Tier 1/ Tier 2 Capital Framework **3052-AD27**	Other Significant	12 CFR parts 614, 615, 620, and 628	This rulemaking would amend the Tier 1/ Tier 2 Regulatory Capital and related regulations by making technical and minor substantive corrections and clarifications.	NPRM Spring 2017	NPRM 03/00/2020	NPRM 11/00/2020 [*awaiting FR publication*] OIRA base date 11/2020 until published.

UNIFIED AGENDA OF REGULATORY AND DEREGULATORY ACTIONS

RULEMAKING STAGES

For the Fall 2020 (Agenda) Unified Agenda, OIRA provided guidance[1] on the five stages of rulemaking by which each entry on an agency's unified agenda must be classified. The following stages are as follows:

A. Pre-Rule Stage

Actions agencies will undertake to determine whether or how to initiate rulemaking. Such actions occur prior to an NPRM and may include an ANPRM or a review of existing regulations.

B. Proposed Rule Stage

Actions for which agencies plan to publish an NPRM as the next step in their rulemaking process or for which the closing date of the NPRM comment period is the next step.

C. Final Rule Stage

Actions for which agencies plan to publish a final rule or an interim final rule or take other final action as the next step.

D. Long – Term Actions (with subcategory of 'Inactive')

Items under development but for which the agency does not expect to have regulatory action within 12 months after publication of the Agenda. Some of the entries in this section may contain abbreviated information.

> 'Inactive' – Inactive actions are actions that the agency does not plan to undertake in the coming calendar year or identify as a long-term action and allow an agency to retain the same RIN for an action over its lifetime.

E. Completed Actions

Actions or reviews the agency has completed or withdrawn since publishing its last agenda. This section also includes items the agency began and completed between issues of the Agenda.

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[1] OIRA noted that in general, each federal agency's Unified Agenda will follow the organizational pattern of prior publications.

PRIORITY OF RULES

A. Economically Significant

A rulemaking action that will have an annual effect on the economy of $100 million or more or will adversely affect in a material way the economy; a sector of the economy; productivity; competition; jobs; the environment; public health or safety; or State, local, or tribal governments or communities. All Economically Significant rulemaking actions should appear in an agency's regulatory plan.

B. Other Significant

A rulemaking action that is not Economically Significant that the agency anticipates will be reviewed under E.O. 12866. Also, a rulemaking that is not Economically Significant and will not be reviewed under E.O. 12866, but is considered important by the agency and a priority of the agency head. These rules may be included in the agency's regulatory plan.

C. Substantive, Nonsignificant

A rulemaking action that has substantive impact but the magnitude of the impact is less than significant. These rulemaking actions are not Economically Significant, will not be reviewed under E.O. 12866, and are not, at present, an agency priority.

D. Routine and Frequent

A rulemaking action that is a specific case of a multiple recurring application of a regulatory program in the Code of Federal Regulations and that does not alter the body of the regulation.

E. Informational, Administrative, Other

A rulemaking action that is primarily informational or pertains to agency matters not central to accomplishing the agency's regulatory mandate but that the agency places in the Agenda to inform the public of the activity.

Fall 2020 Regulatory Projects Plan

Regulation Title / RIN	Planned Action	Abstract
Appraisal Regulations 3052-AC94	NPRM 12/00/2020	This rulemaking would consider revisions to collateral evaluation regulations in light of changing credit and economic conditions.
Standards of Conduct 3052-AC44	Final Rule 02/00/2021	This rulemaking would revise the existing standards of conduct regulations in Subpart A, Part 612, and provide for a more principle-based rule to facilitate a sound standards of conduct program at System institutions.
Bank Liquidity 3052-AD44	ANPRM 02/00/2021	This ANPRM would consider whether the FCA should amend its existing liquidity regulation and more closely align it with the Basel III Liquidity framework and the approach of the Federal Bank Regulatory Agencies. The ANPRM would also inquire whether a Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) in the Basel III framework is suitable for Farm Credit System banks, which operate under a cooperative structure, and do not rely on deposits to fund their assets.
Borrower Rights – Distressed Loan Servicing 3052-AD20	NPRM 02/00/2021	This rulemaking would consider revisions to subpart E of Part 617 on borrower rights to clarify disclosure and servicing requirements for distressed loans. The rulemaking would update content requirements for distressed loan notices and clarify application review procedures, including how to identify inputs for use in conducting the least cost analysis.
Risk Weighting of High Volatility Commercial Real Estate (HVCRE) Exposures 3052-AD42	NPRM 03/00/2021	The rulemaking would consider amending the Tier 1/Tier 2 Capital Rule to include a 150-percent risk weight for high volatility commercial real estate (HVCRE) exposures. This rulemaking would be similar to recent changes to the capital rules of the Federal banking regulatory agencies, but it would take into account unique features of the Farm Credit System and FCA regulations.
Cooperative Principles 3052-AD40	End Review 03/00/2021	This review would consider cooperative principles and practices at System institutions including, but not limited to, whether revisions to Parts 611 and 615 are needed regarding association stock issuance policies and the impact of those policies on district bank governance.

Fall 2020 Regulatory Projects Plan

Regulation Title / RIN	Planned Action	Abstract
Limitations on Bank Director Compensation 3052-AD39	NPRM 04/00/2021	This rulemaking would revise FCA regulations on compensation of bank directors to comply with the Agriculture Improvement Act of 2018.
Eligibility Criteria for Outside Directors 3052-AC97	Final Rule 06/00/2021	This rulemaking would consider eligibility criteria for outside directors, particularly in situations where an individual owns an interest in an entity that is a borrower/stockholder of a Farm Credit System bank or association.
Revision to Tier 1/ Tier 2 Capital Framework 3052-AD27	Final Rule 09/00/2021	This rulemaking would amend the Tier 1/ Tier 2 Regulatory Capital and related regulations by making technical and minor substantive corrections and clarifications.
Young, Beginning, and Small Farmers and Ranchers 3052-AD32	End Review 12/00/2021	This rulemaking would consider changing how the collection of data on young, beginning and small (YBS) farmers and ranchers changes is done to improve reporting of YBS farmers and ranchers' operations and achievements. Additionally, this rulemaking would consider formalizing the definitions of "young," "beginning," and "small" farmers and ranchers to alleviate variability in reported YBS data.
Implementation of the Current Expected Credit Losses Methodology for Allowances and Related Adjustments to the Regulatory Capital Rule & Conforming Amendments 3052-AD36	Final Rule 06/00/2022	This rulemaking would address changes to U.S. generally accepted accounting principles (U.S. GAAP) described in Accounting Standards Update No. 201613, Topic 326, Financial Instruments Credit Losses (ASU 201613), including System institutions' implementation of the current expected credit losses methodology. Specifically, the proposal would revise the Agency's regulatory capital rules to identify which credit loss allowances under the new accounting standard are eligible for inclusion in regulatory capital. The rulemaking would also make conforming amendments to other regulations that reference credit loss allowances.

Long-Term Workforce Plan

2020 - 2024

Maintaining our capacity to deliver…

The Farm Credit Administration's mission is to ensure a safe, sound, and dependable source of credit and related services for all creditworthy and eligible persons in agriculture and rural America. We do this in two ways:

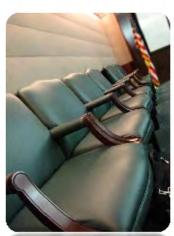
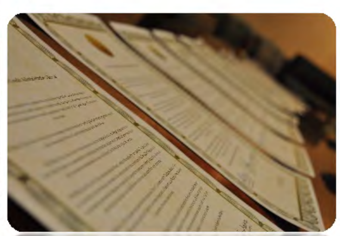
- By creating regulations for FCS institutions to follow
- By examining FCS institutions to ensure their compliance with the Farm Credit Act of 1971 (as amended), FCA regulations, and safe and sound banking practices

FCA's workforce plan (2020 - 2024) sets out the strategies for recruiting and maintaining a workforce that has the capacity to meet the needs of our internal and external stakeholders. The plan is the result of a comprehensive analysis of the factors influencing FCA's workforce and addresses these factors through building FCA's workforce capability and capacity.

The plan, which captures our workforce strategies intended to guide our workforce management efforts, will support us in:

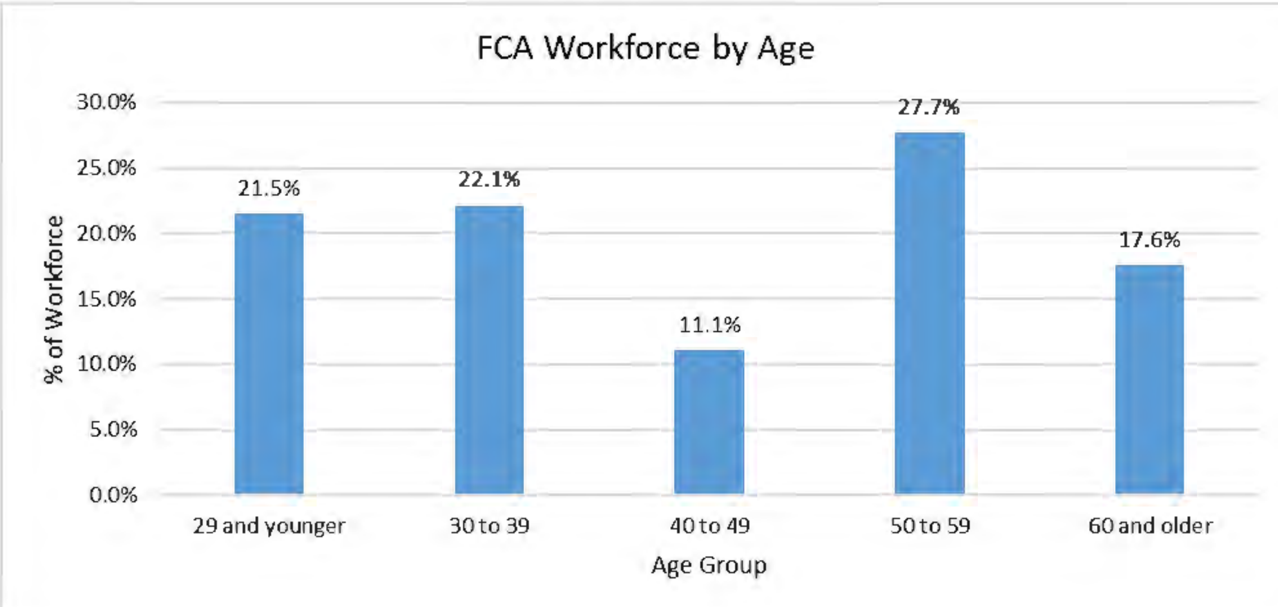
- **Recruiting** from diverse sources to attract highly-qualified candidates;
- **Selecting** talented candidates for vacancies;
- **Developing** high-performing team members with the required knowledge, skills and abilities; and
- **Engaging and Retaining** a high-performing workforce that drives the agency's successful mission accomplishment.

A closer look at our workforce…

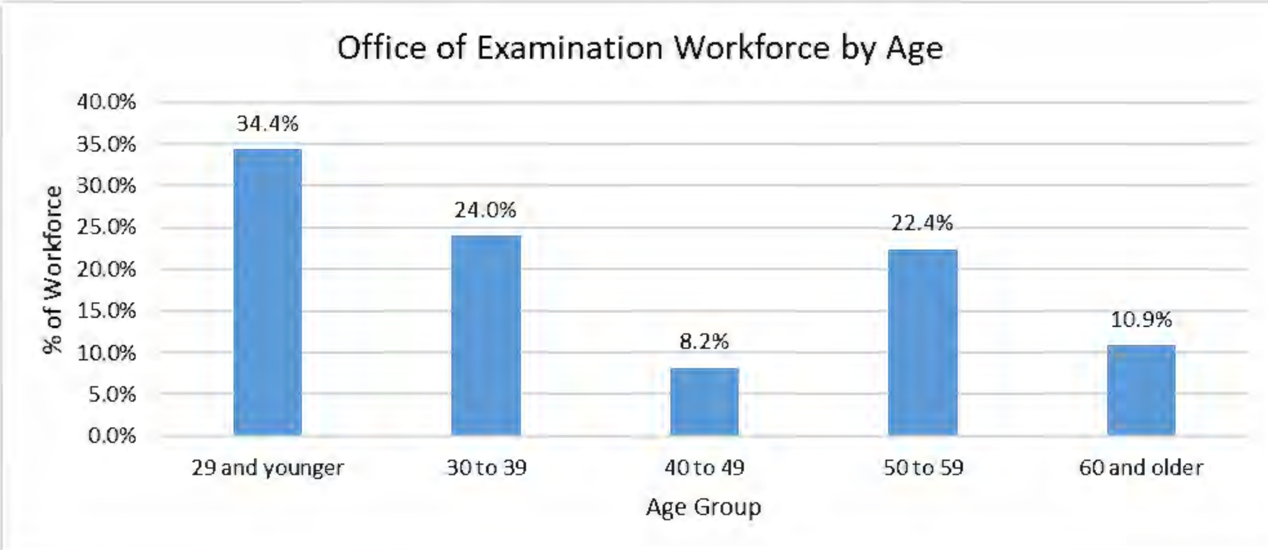





Age Demographics

FCA is fortunate to have five generations in our workforce. This is a tremendous benefit when building a talent succession pipeline and optimizing the knowledge transfer process. As reflected in the chart below, there are almost equal number of FCA employees in those aged 50 and older (45.3%) and those aged 39 and younger (43.6%). The age grouping with the fewest employees is 40 to 49 at 11.1%).

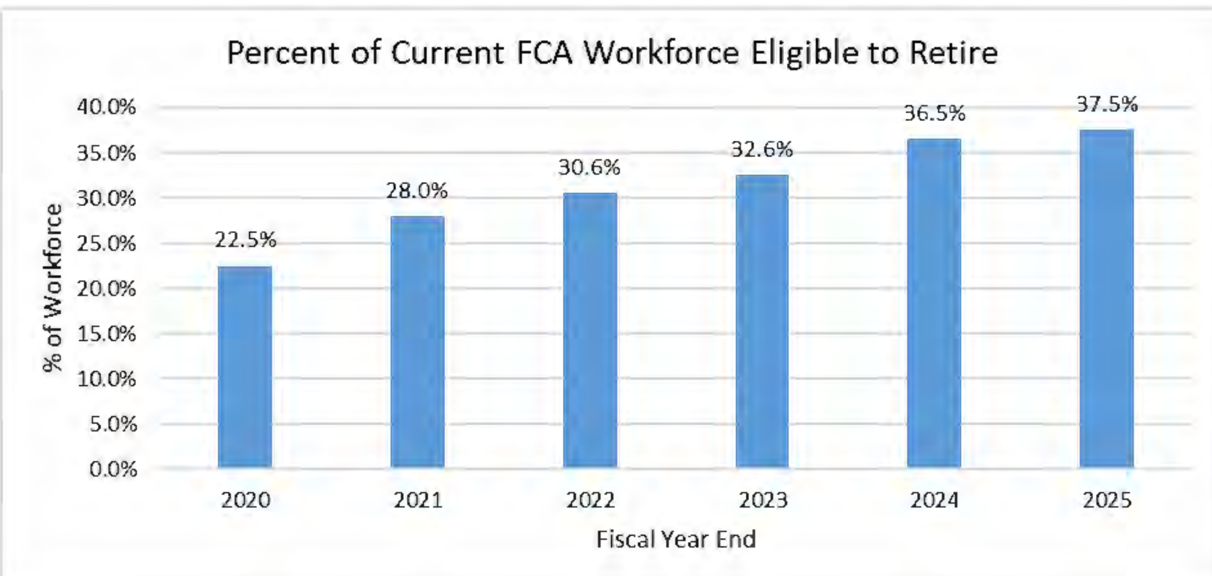


Given that the Office of Examination (OE) comprises 60% of our workforce, a closer examination of its demographic profile is warranted. More than half (58.5%) of OE's workforce is under age 40.



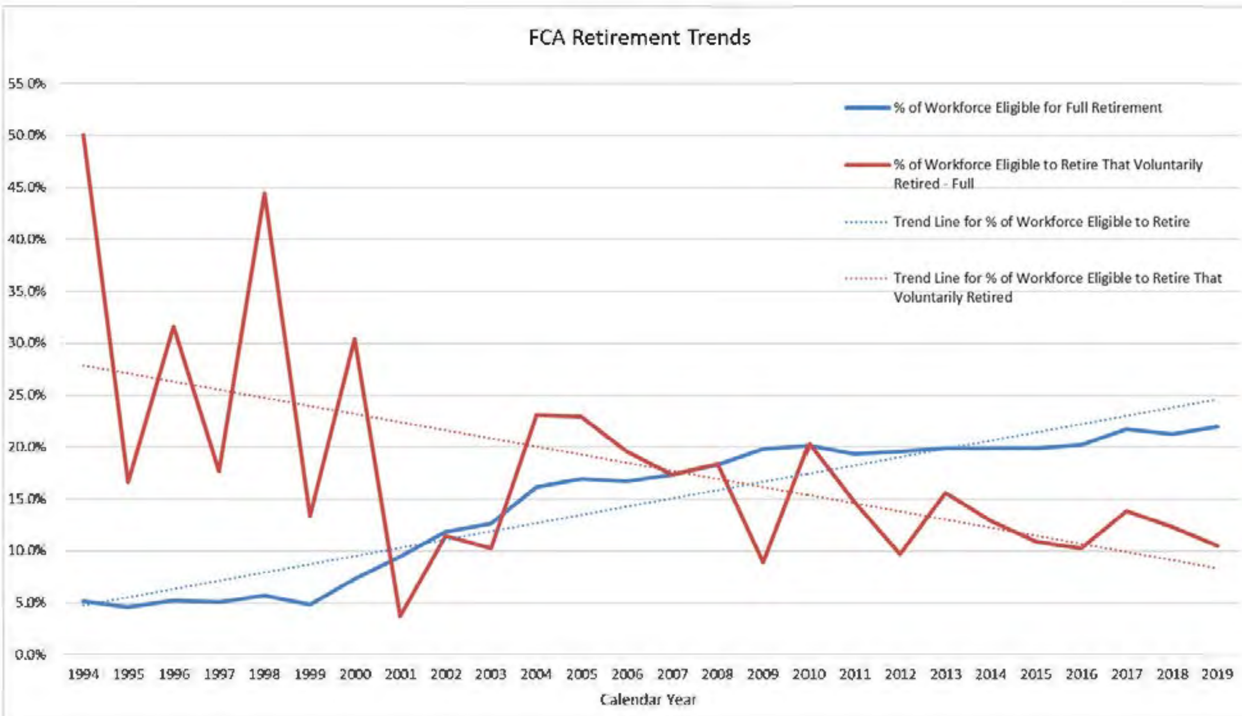
Retirement Eligibility

At the end of fiscal year 2020, 22.5% of FCA's workforce will be eligible to retire. That number grows to 37.5% over the next five years.



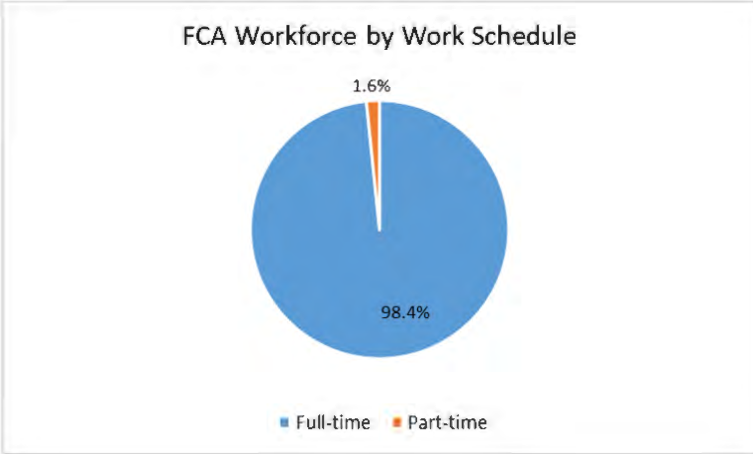

Retirement Eligibility of Current FCA Supervisors and Managers
90.0%
80.0%
70.0%
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
% of Workforce
2020
2021
2022
2023
2024
2025
Fiscal Year End
Supervisors/Mid-Level Managers
Senior Managers

Over the past 30 years, the percentage of FCA employees eligible to retire has quadrupled. And, there has been a continuing trend of employees working years beyond their retirement eligibility dates.



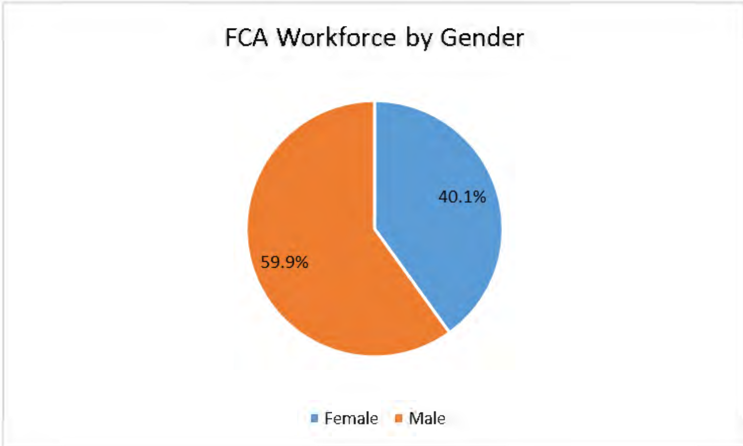
Full-time/Part-time

Our workforce is composed primarily of full-time staff.



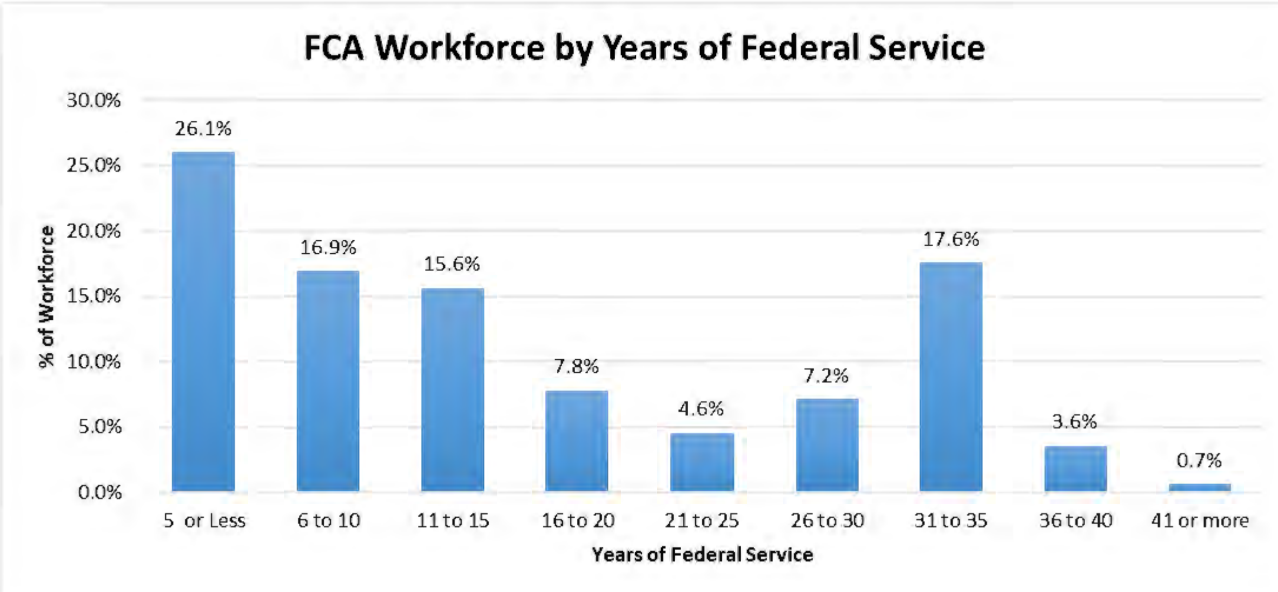
Gender Profile

The gender ratio profile for FCA's workforce is shown below.



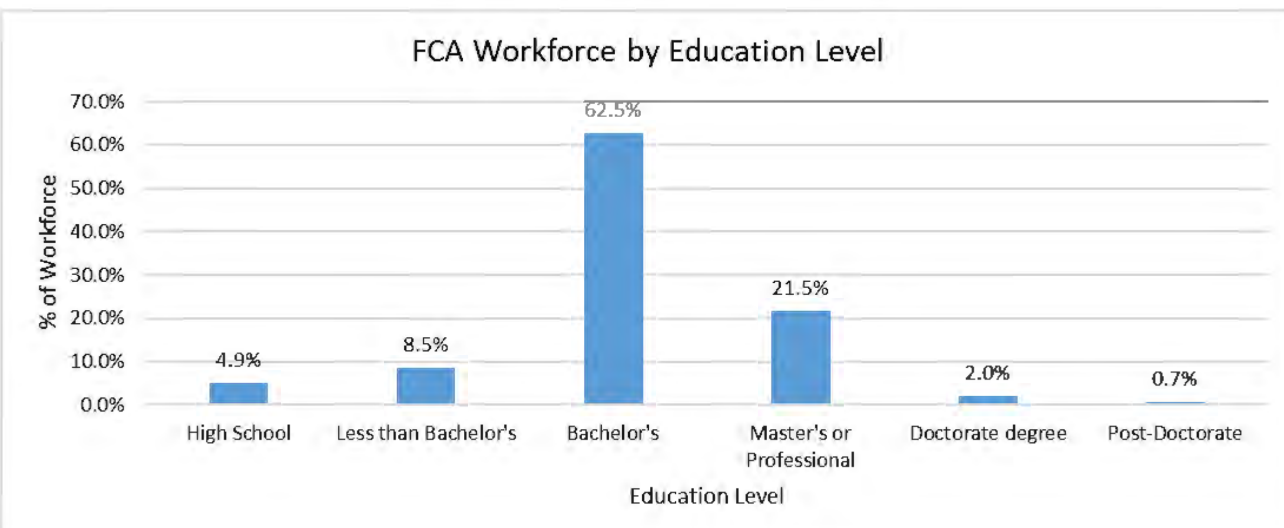
Length of Service

Approximately 58% of the workforce has 15 or fewer years of federal service, with 26.1% having five or fewer years.



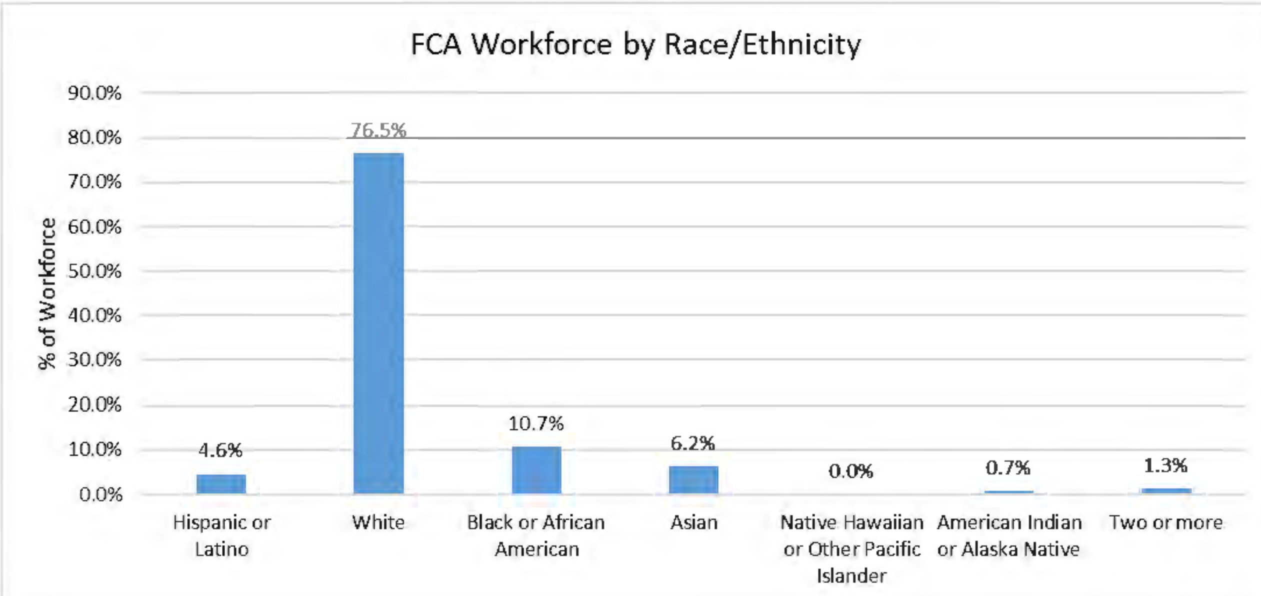
Educational Profile

Almost 87% of employees have a degree as reflected in the chart below.



Race, National Origin, Ethnicity Profile

The chart below reflects the agency's diversity profile as of September 30, 2020.



A recent trend analysis covering the decade 2008 through 2018 revealed that the Farm Credit Administration (FCA) has become increasingly diverse. From 2008 to 2018, FCA increased staffing by 18% (from 263 employees in 2008 to 310 employees in 2018). During this same period, FCA increased the number of minority employees by 82%, from 45 in 2008 to 82 in 2018. There were three predominant groups contributing to the increase:

- Asian employee representation increased by 75% (from 12 employees in 2008 to 21 employees in 2018).
- Black/African American employee representation increased by 71% (from 21 employees in 2008 to 36 employees in 2018).
- Hispanic/Latino employee representation increased by 129% (from 7 employees in 2008 to 16 employees in 2018).

Key focus areas of our workforce plan…

The workforce data from the previous section informs a set of agency actions in the categories mentioned earlier: **recruiting**, **selecting**, **developing**, and **engaging** and **retaining**. Recent organizational analyses and workforce surveys also factor into our planned activities that are covered on the following pages for each of these categories.

Recruiting

From FY14 to FY18, 143 employees separated from FCA, ranging from 25 to 32 employees per year. The average attrition rate has been approximately 9.2%, with an approximate 2.8% retirement rate. Over the same period, FCA hired 170 employees. This level of attrition requires vigilance to maintain recruiting plans, candidate pools, and new hire pipelines. We will take the following actions:

- Work with our recruiters and managers to ensure that our recruitment policies and practices are effective and inclusive
- Continue networking with a diverse set of professional organizations
- Hold virtual and on-campus career fairs at minority-serving institutions
- Promote FCA's commitment to equal employment opportunity and diversity and inclusion
- Highlight enhanced employee benefits
- Conduct process analyses to identify improvement opportunities

We will measure our success by:

- Demographic analysis of applicants
- Analysis of time-to-hire, with a 60-day goal for complete cycle hiring time


Selecting

FCA employs a cadre of talented and motivated staff. To ensure we continue to select the best and the brightest for our vacancies, we will take the following actions:

- Continue to assess staffing needs, sunset functions no longer required, offer development options to those impacted by the conclusion of those functions, and identify new staffing requirements
- Foster transparency and inclusiveness in the selection process, to include using selection panels and behavioral interviews
- Analyze selection panel data to ensure equitable and fair treatment of all candidates
- Update policies and procedures, as necessary to foster consistency in approach and to leverage organizational best practices

We will measure our success by:

- Annual demographic analyses with trends over time to reflect equitable representation of employees with diverse backgrounds and experiences, to include individuals with disabilities and veterans
- Hiring manager feedback on their satisfaction with the services and support they receive to fill vacancies

Developing

FCA provides staff and leaders with a variety of internal and external training opportunities, including the commissioning process within OE, development programs, online training and access to and budget for taking external courses. We will take the following actions to ensure we continue to meet the developmental needs of our employees:

- Enhance the onboarding process
- Implement a leadership readiness program to provide aspiring leaders the necessary skills and experiences in preparation for team lead, supervisory and management positions
- Provide developmental opportunities and training to current supervisors and leaders to enhance their skills
- Expand team-based developmental learning to build knowledge across offices and provide experiential learning opportunities to staff to broaden and deepen expertise

We will measure our success by:

- Qualitative feedback from new hires about the effectiveness of their on-boarding experiences
- Employee feedback received through the Agency's training request database
- Analysis of the training-related questions from the FEVS
- For instructor-led programs, end-of-course feedback from participants

Engaging and Retaining

FCA has consistently been named as one of the best places to work in the federal government (small agencies) and has had high Federal Employee Viewpoint Survey (FEVS) results. With a 2019 employee engagement score of 81.1%, many employees noted that the family friendly atmosphere, benefits, support for professional development and flexible work environment are factors that contribute to their strong engagement. Further, attrition rates at FCA have been relatively consistent, and the agency has successfully hired staff to replace losses and fill in new positions.

To ensure we remain one of the best places to work in the federal government and retain our talented workforce, we will take the following actions:

- Maximize worklife balance flexibilities, leveraging lessons learned from the agency's response to the pandemic
- Ensure rewards and recognition programs are linked to mission accomplishment
- Afford additional opportunities for staff to engage senior leaders
- Administer pulse surveys to timely assess staff perceptions on organizational initiatives

We will measure our success by:

- Analysis of the NewIQ and Global Satisfaction indices on the FEVS
- Results from pulse surveys
- Analysis of exit survey data, with implementation of improvement initiatives to enhance retention

Farm Credit Administration

IRM Strategic Plan

Information Resources Management

FY2021-2025

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1501 Farm Credit Drive, McLean, VA 22102

Foreword

Technology is interwoven into the fabric of the operations at the Farm Credit Administration (FCA or agency). The Office of Information Technology (OIT) is a strategic partner to support the business objectives and needs of the agency. We use the Information Resources Management (IRM) planning process to ask ourselves what are FCA's business priorities and objectives. The advances in technology and the fast rate of innovation in Information Technology (IT) mean that OIT can provide options to our business users by partnering with them in new and creative ways.

The IRM Planning process provides an opportunity for the agency to articulate the strategic outcomes that will make the biggest difference to the success of the agency. By focusing on those strategic outcomes, the agency can direct OIT resources to the areas that will result in the highest-value outcomes for the agency.

OIT looks forward each year to collaborating with the agency's offices to create an IRM Plan that maps out a vision for reaching the agency's objectives.

Role of the IRM Plan

The role of the IRM Plan is to provide a program that supports effective IT asset management and investment control. The planning process identifies new system and application development/procurement needs.

The FCA's Chief Information Officer (CIO) administers IRM policy and planning and is guided by all the offices within FCA. The CIO serves as the principal technical adviser to the Chief Executive Officer (CEO) and Senior Staff on all issues related to IRM. The CIO is the designated senior official for IRM acquisitions.

OIT annually reviews and updates, as appropriate, this five-year plan for addressing and implementing the agency's IT needs. OIT integrates applicable government-wide directives affecting IRM functions into agency policies, procedures, guidelines, and directives.

OIT's responsibilities are performed under policy guidance provided by Office of Management and Budget (OMB) Circular A-130, the "Managing Information as a Strategic Resource," OMB Circular A-108, "Federal Agency Responsibilities for Review, Reporting, and Publication under the Privacy Act," and in accordance with Section 508 of the Rehabilitation Act of 1973.

IRM Planning and Investment Portfolio

IRM Planning

The IRM Plan is an integral part of FCA's overall planning; it identifies the agency's technological strategic initiatives and supports other agency strategic planning efforts. The agency's strategic goals and objectives guide the IRM Plan and its management. The OIT uses the IRM Plan to define and manage a comprehensive list of Completed, Active, Pending, and Proposed projects, called the OIT Project Board. Under the OIT's core principle of Transparency, the OIT Project Board, including dashboards providing multiple views of current and future activities, is made available to all FCA staff. After reviewing the IRM Plan and the more comprehensive OIT Project Board, the FCA Board provides direction and oversight to earmark resources for the most critical needs of the agency. The Chief Operating Officer (COO) provides direction and oversight to the agency's operations, including the IRM Plan and its processes. OIT meets with each FCA and Farm Credit System Insurance Corporation (FCSIC) office once per quarter in what are called "Partnership Meetings" to review projects and discuss ongoing and future data and technology needs. OIT discusses outcomes of the quarterly Partnership Meetings with Senior Leadership.

Proposed projects that are categorized in IRM Plan Initiatives are requested from FCA operating units at any time during the year and discussed during Partnership meetings. These discussions define the priority, urgency, and scope of technology changes and begins the budget process to allocate resources needed to implement. The review process considers cost, risk, anticipated return, and alignment with and impact on FCA's enterprise architecture. Additionally, all projects involving data sources are reviewed and prioritized with the Data Advisory Group and the Chief Data Officer.

As part of our overall IRM program, we maintain a strong capital planning and investment control process. Proposed high level projects are evaluated for inclusion in upcoming budgets by the CIO and reviewed during Partnership Meetings. A summary of included projects is listed along with their estimated costs and made available to the COO. The COO consults with the FCA Board and Senior Staff to ultimately decide which projects are funded and which are to be deferred.

Throughout the year, the CIO modifies the IRM initiatives and OIT staff constantly updates the OIT Project Board as projects and business needs change. The intent of the IRM Plan is to provide general guidance on IT direction through initiatives; on what projects OIT should spend its limited resources on; and ensures all projects support the FCA's strategic goals and objectives.

Aligning FCA Strategic Plan with IRM Initiatives

FCA maintains an IT investment portfolio that supports, directly or indirectly, the three strategic goals outlined in the Farm Credit Administration Strategic Plan. The most recent plan is available on the FCA.gov Reports & Publications web page at https://www.fca.gov/about/reports-publications.

Number	Short Description	Description
Goal I	Regulation and Policy	Ensure that the Farm Credit System (FCS or System) and Farmer Mac fulfill their public missions for agriculture and rural areas
Goal II	Safety and Soundness	Evaluate risk and provide timely and proactive oversight to ensure the safety and soundness of the System and Farmer Mac
Goal III	Staff Development	Cultivate an environment that fosters a well-trained, motivated, and diverse staff while providing an effective plan for leadership succession

Each Initiative in the IRM Plan supports a specific goal or is identified as Distributed. **Distributed means that it applies to Goals I and II**; for example, Human Resources and Financial Management initiatives. When assigning the strategic goal to an initiative, we evaluate if the initiative is primarily intended to support a single Strategic Goal or if it is intended to serve all the functions of FCA. While every initiative serves all FCA, the categorization is determined based on the primary intention.

In FY 2019, OIT revised its initiatives to consolidate activities and improve tracking of project work. Within each initiative, projects can be Operations & Maintenance (O&M) or Development, Modernization, or Enhancement (DME) efforts. O&M projects are needed to support the continued operations of the agency and include hardware, software maintenance, customer support, and compliance with OMB and DHS regulations and guidance. DME projects are projects or purchases that are designed to improve the ability for FCA to meet its goals by adding or significantly enhancing technology capabilities.

In addition to the IRM Plan and the OIT Project Board, OIT maintains a detailed line-item Spend Plan. The Spend Plan is developed during the budget process and identifies every anticipated expense for the fiscal year.

Projects listed in the OIT Project Board or items in the OIT Spend Plan are assigned an IRM Initiative and inherit the Strategic Goal of that initiative.

The following IRM Plan Initiatives apply to projects in the OIT Project Board. The number in parenthesis to the right of each description is the internal ID number of the initiative and is used to tie initiatives to projects in the Project Board and expenses in the IT budget.

Operations & Maintenance (O&M)	Regulation and Policy	Safety and Soundness	Staff Development	Distributed[1]
Mission Tools & Approach (401)		X		
Data Management (402)				X
DevOps/Process Automation (403)				X
Technology Platforms (404)				X
Information Security & Compliance (405)	X			
OIT Management (406)			X	
Customer Support (407)				X

[1] Distributed means that an initiative applies to both Goals I and II

Detailed Descriptions of Initiatives

1. Mission Tools & Approach - 401

The primary objective of this initiative is to implement technology that directly supports mission activities, including safety and soundness examinations and other efforts that ensure that Farm Credit System institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America. Such technology may streamline data analysis of the System, enhance examiners in the field to access appropriate documentation, and enable a mobile workforce.

2. Data Management - 402

To do our work more efficiently and to move to a data-driven decision culture, OIT works with the Office of Data Analytics and Economics and the Data Advisory Group to acquire new data as needed, streamline data acquisition, and check data quality as it is loaded, prior to beginning our analyses. This empowers users to do creative scenario-based analysis that may help to reduce costs and increase efficiency.

This initiative involves support for two mission-critical FCA systems: CRS and FCS Loans. For both systems, FCA receives data from institutions, adjusts data collection requirements in response to changing needs, validates the data received, loads the data into electronic repositories, makes the data available to analysts and users for their risk-based examinations and analyses, and supports other data analysis needs. The data available in both systems and the analysis performed on that data is necessary to our mission of ensuring safe and sound banking practices across the System.

3. DevOps/Process Automation - 403

FCA currently uses several manual or semi-manual processes to accomplish important agency activities. OIT is moving to more advanced automated forms and workflows that improve the efficiency and effectiveness of the agency. Working with the FCA Offices, OIT examines current processes to identify opportunities to improve upon (or perhaps eliminate) current workflow processes through the application of appropriate technology.

OIT is working with the Office of Agency Services (OAS) and the Human Resource Branch to procure and implement a Human Resource Information system (HRIS). This is a multi-year effort; various modules will be purchased and integrated in a planned sequence.

4. Technology Platforms - 404

This initiative is an ongoing effort to improve the performance, convenience, and security of the FCA computer environment. OIT manages the day-to-day operations of a state-of-the-art technology infrastructure. Functions include the care and maintenance of all IT equipment and enterprise software licenses (e.g., Microsoft); equipment includes servers, laptops, mobile devices, smartphones, video conferencing systems, phones, printers, monitors, TVs, etc. OIT optimizes and replaces equipment as necessary and provides supporting services to include backup/recovery, mobile device management, security operations, and software patch management.

In addition to the network infrastructure, this initiative encompasses software platforms supporting FCA Offices, such as SharePoint, Office365, and other enterprise tools.

OIT will determine how FCA can continue leveraging mobile and cloud computing capabilities to advance the work of the agency. FCA has implemented several improvements using cloud-based platforms, including updating the Agency's email and the Helpline Services Portal. This initiative defines the strategy for cloud adoption at FCA and implements targeted improvements to IT capabilities.

5. Information Security & Compliance - 405

OIT is responsible for ensuring agency IT systems comply with Federal government requirements established to create greater efficiencies in the utilization of IT resources or enhance the security posture of the Federal government. Agencies are required to comply with Section 508 of the Rehabilitation Act, Federal Information Security Modernization Act (FISMA), Trusted Internet Connection (TIC), disaster recovery planning, DHS continuous monitoring, and other OMB/DHS/Presidential directives. OIT must also evaluate new regulations and the National Institute of Standards and Technology (NIST) updated guidance for applicability to FCA's IT environment.

Securing FCA information and protecting FCA's reputation as a regulator is the responsibility of all FCA personnel. OIT leads the effort to ensure the confidentiality, integrity, and availability of the FCA network, information systems, and applications, including responsibility for FCA's privacy and controlled unclassified information (CUI) programs. Greater efficiencies will be gained by acquiring technology and security services to address the risk commensurate with the increase in the number of vulnerabilities and threat vectors. OIT must also plan for recovery services, including the operation of an emergency site, to offset service disruptions at the primary location.

6. OIT Management - 406

OIT must ensure the effective and efficient use of IT resources. IRM planning and budget development, including the consolidation of the agency's IT budget, establishes priorities for IT resource utilization at the agency level. Within OIT, effective project management, budget execution and reconciliation processes, adherence to standard operating procedures, and development of internal controls facilitates greater oversight and mitigates risk.

7. Customer Support - 407

OIT provides on-demand end-user customer support, including assistance with IT equipment, mobile devices, software, and video conferencing. To support this initiative and provide transparency to the agency, a Service Request (SR) database is used to track customer support requests. In addition, OIT is continuously supporting our business users with projects to improve their computer, network, communications, and workspace environments.

Farm Credit Administration
Office of the Chief Financial Officer
Executive Summary

Subject: Farm Credit Administration Revised FY 2021 and Proposed FY 2022 Budget

Date:

Prepared by: Douglas M. Gandy
OCFO Review: Stephen G. Smith
OGC Review: Charles R. Rawls

Issue / Decision: Approval of the FY 2021 Revised Budget and FY 2022 Proposed Budget.

Recommendation: Staff recommends that the FCA Board approve the following resolution:

The FCA Board hereby approves FCA's FY 2022 Proposed Budget of $84,720,000, the FY2021 Revised Budget of $80,870,000, and the reallocation of funds within the FY 2021 Budget. The Chief Financial Officer (CFO) is authorized to fund the FY 2021 Budget through assessments after applying projected available carryover funds.

In addition, the Board authorizes the CFO to establish controls necessary to maintain and execute the FY 2021 budget levels within the limits established by Congress.

Background: The Board originally approved, on September 6, 2019, and subsequently presented to Congress, the FY 2021 Proposed Budget of $81,010,000.

Analysis:

The FCA Budget for FYs 2021 and 2022 are based upon the agency's mission, goals, and means and strategies as stated in the *Farm Credit Administration Strategic Plan for Fiscal Years 2018 to 2023*. We have two program areas[1]: (1) Policy and Regulation and (2) Safety and Soundness. In particular, the budget provides resources to meet the agency's mission as we anticipate potential credit stress resulting from the current pandemic. All the offices' activities support these programs either directly or indirectly. Based on the performance budgets, more than 20 percent of the agency's

[1] The Strategic Plan incorporates a third goal, a human capital goal, which is cross-cutting and consumes 86% of the agency's budget.

budget is dedicated to Policy and Regulation and over 75 percent is allocated for the Safety and Soundness program area.

The FY 2021 revised budget proposes a $140,000 decrease from the original FY 2021 Board-approved budget of $80.10 million because of decreased reimbursable work. We also are proposing reallocations within the budget.

The FY 2022 proposed budget of $84.72 million would increase by $3.85 million or 4.8% relative to the FY 2021 revised budget.

The attachments highlight in further detail the revised FY 2021 budget and the proposed FY 2022 budget.

Attachments:

1. Review of FCA Revised FY 2021 and Proposed FY 2022 Budgets
2. Fiscal Year 2021 Revised Budget
3. Fiscal Year 2022 Proposed Budget
4. Fiscal Years 2012-2022 Agency Budgets

Review of FCA Revised FY 2021 and Proposed FY 2022 Budgets

Overview

Our Operating and Budget Plan for fiscal years (FY) 2021-2022 is built on the foundation of our mission, goals, and means and strategies as stated in the *Farm Credit Administration Strategic Plan for Fiscal Years 2018 to 2023*. We have two program areas: (1) Policy and Regulation and (2) Safety and Soundness. All offices' activities are planned to further these programs either directly or in a support role.

The revised FY 2021 budget of $80,870,000 allocates projected use of funds and contains sufficient funds to meet the priorities of the FCA Board.

The FY 2022 Proposed Budget of $84,720,000 is approximately 4.8% higher than the FY 2021 Revised Budget of $80,870,000.

The budget provides the resources needed to maintain strong examination and supervisory programs, retain a regulatory environment that is responsive to the financial marketplace for the Farm Credit System (FCS or System) institutions, and ensure that the public purpose and mission-related responsibilities of the System are carried out appropriately. In particular, we will dedicate resources to address the risk posed by the COVID pandemic. This includes higher travel expenses for examinations.

The budget ensures that we continue to address the fundamental topics the FCS needs to manage in an increased risk environment such as issues of funding, financial and capital management, credit risk, compensation and human capital programs, and intra-System risk management. By successfully addressing these, we will help the System continue to provide constructive credit to creditworthy farmers and ranchers, their cooperatives, and other eligible borrowers under the Farm Credit Act.

This budget integrates individual offices' products and services into a single approach that enables staff to uniformly support the agency's mission, goals, and means and strategies. Second, the budget provides for resource sharing among offices to leverage and build upon our most valuable investment - our people. Third, the budget supports the agency's human capital goals and the Information Resources Management (IRM) initiatives. Executive management will continue to implement initiatives designed to make us more effective and efficient in our day-to-day operations, as well as to strategically position ourselves for the future.

We continue our efforts to contain costs, leverage technology and increase efficiencies. These efforts include prior actions where we continue to reap benefits. Some of the strides we have made include:

Action	Resulting impact
Scrutinized issuance of information technology devices and specialized software	Cost efficiencies by only purchasing items that meet agency business needs
Improved workflow and functionality through the Enterprise Documentation Guidance (EDGe) project	Improved efficiencies
Piloted virtual desktop review of loans to allow exam teams to conduct loan reviews from agency offices.	Better managed travel costs and improved efficiency
Increased reliance on FCS Loan Database to conduct analytics	Promotes focus on safety and soundness activities, builds effectiveness and operational efficiency
Ensured service provider costs were well-managed	Cost effectiveness
Expanded use of electronic communications (i.e., posting publications on agency website, establishing secure connections with business partners and stakeholders, use of email, etc.)	Reduced printing costs and support of environmental sustainability initiatives
Implemented and improved audio and video conferencing. Standardized equipment issued to staff.	Improved management of travel costs. Supports a mobile workforce, telecommuting initiatives, and maintains continuity of operations
Allowed use of penalty fares on travel and ongoing education of travelers concerning the most cost-effective fares (i.e., capacity-controlled fares).	Continue to realize improvement in travel cost management
Reviewed monthly smartphone and wireless device usage	Reduced costs by ensuring devices are being fully utilized
Expanded use of online research and electronic materials for training	Reduced printing costs and support of environmental sustainability initiatives
Continued collaboration and resource sharing across FCA offices	Improved efficiencies

<u>Program Areas</u>

Safety and Soundness

Through our Safety and Soundness program, led by the Office of Examination and the Office of Secondary Market Oversight, more than 75 percent of the budget provides resources to examine the safety and soundness of the FCS and Farmer Mac. The budget resources also ensure that institutions comply with applicable laws and regulations and are financially positioned to meet the needs of agriculture and rural America. The budget continues to implement the Board’s philosophy of a risk-based approach to oversight and examination, which maximizes the efficiency and effectiveness of examinations. Resources are included to ensure that the FCS and Farmer Mac properly identify, manage, and control risk. Examination resources are allocated to matters presenting the highest risk or potential risk to the System and Farmer Mac. Initiatives include the development and monitoring of risk topics, on-site examination presence, and an emphasis on loan review through the testing of credit reviews, internal audits, and internal controls.

A few FCS institutions require special supervision and enforcement actions to assist them in addressing identified weaknesses or risks. These actions are taken in a timely manner to ensure institutions return to safe and sound operations. Examiners are currently noting conditions that reflect the weaknesses in the agricultural economy and commodity markets, as well as a rapidly changing risk environment in agriculture. Examiners work with both Farmer Mac and FCS institutions to ensure these, and other risks are recognized timely and mitigated. The budget provides the resources necessary to maintain relevant regulations related to the safety and soundness of the institutions. In support of these activities, the budget includes an array of resources ranging from developing FCA Board direction to delivering mail - functions that are essential to fulfilling the agency’s responsibilities.

Policy and Regulation

Over 20 percent of the budget, provided primarily by the Office of Regulation Policy with support from the Office of Data Analytics and Economics, and the Office of General Counsel, provides resources for developing regulatory and policy solutions for mission and compliance issues facing the System. This includes developing regulations and policy positions that implement applicable statutes, promote the safety and soundness of the FCS, and support the System's mission as a dependable source of credit and related services for agriculture and rural America.

The budget also provides resources to enhance our analytical capabilities by leveraging data on the FCS and its business operations. In addition, the budget provides for ongoing activities such as evaluating and recommending regulatory and funding approvals, managing merger and chartering activities, and providing strategic and systemic policy research and analyses of risks and other issues facing the System. The budget also provides for support activities, including information processing, agency communications of our position on issues, training and staff development, and the program administration.

Other Activities

The budget anticipates $470,000 in FY 2021, including 2.20 FTEs, to be allocated to reimbursable activities. For the proposed FY 2022 budget, $520,000 will be allocated to reimbursable activities, including 2.33 FTEs. These activities include reimbursable work performed for the Farm Credit System Insurance Corporation, and the Department of Agriculture, and a reduction in the amount of reimbursable work for the National Consumer Cooperative Bank.

Data, Analytics

The agency has placed an emphasis on resources dedicated to data and analytics. We established a new office reporting to the Chief Data Officer. The office was established by transferring staff and funds from other agency offices. It is dedicated to improving the quality of data through interactions with institutions. It is focused on delivering analytic tools to improve the agency's effectiveness and efficiency. We expect this will translate into multiple benefits including, more effective examination processes, better informed regulatory activity, improved risk identification, and effective organization performance measures.

Information Technology

A growing part of the FCA budget is dedicated to our investment in technology, data and cyber security. As we work towards more effectiveness and efficiency for the mission of the FCA, we continue with those investments.

As part of our overall IRM program, we maintain a strong capital planning and investment control process. The agency is implementing a governance structure over data and technology investments to achieve the best value for FCA. This structure controls costs and focuses investment for business value. FCA operating units request projects throughout the year – these projects are categorized into strategic IRM initiatives. We discuss the initiatives and related projects during regularly scheduled meetings with agency executives and the FCA board members. These discussions define the priority, urgency and scope of technology needs and translate into budget requirements. The project review process considers resource requirements, risk, anticipated return, and alignment with and impact on FCA's enterprise architecture.

Throughout the year, the Chief Information Officer adjusts specific IRM projects to accommodate changing business needs and priorities. The table below describes the general initiatives linked to our Strategic Goals.

IRM Initiative	**Description**
Mission tools and approach	Leverage technology to support the FCA mission. Incorporate tools and solutions to improve the examination and regulation processes.
Data management	Support mission data through its lifecycle, including acquiring, loading, and maintaining the data. Develop reports and dashboards to assist in analysis. Support the chief data officer in implementing the Foundations for Evidence-Based Policymaking Act of 2018.
Process automation	Plan, maintain, and develop software systems. Automate work processes and forms.

IRM Initiative	Description
Technology platforms	Manage the technology platforms needed to support the agency including SharePoint, websites, network communications, business intelligence tools and email.
Information security and compliance	Continue efforts to plan, develop, and implement privacy and cybersecurity protections for FCA. Also ensure compliance with federal mandates.
OIT management	Encompasses OIT planning and oversight activities, training, and communications.
Customer support	Respond to and solve user requests for technical assistance, including training and event support.

Staffing

To implement our Safety and Soundness programs and maintain the staff expertise needed to fulfill our Public Mission, the executive team projects FTE levels of 326.32 and 330.39 in the revised FY 2021 and proposed FY 2022 budget requests, respectively.

The environment in which the FCS operates remains dynamic and increasingly complex, and we need to position ourselves to meet the changing needs of our oversight responsibilities. The revised and proposed budgets effectively allocate resources to the material risks anticipated within the FCS, while maintaining strong communications with our stakeholders and continuing to implement internal FCA initiatives to enhance our effectiveness and efficiency. We will redirect staff through the application of risk-based examination supervisory principles, proactively manage systemic risk, and continuously seek cost-effective methods to better leverage agency resources and technology.

The budget includes a significant investment in our strategic human capital initiatives. With approximately 37% of our workforce, including 59% of senior employees (VH-40 and above), eligible to retire within the next 5 years, we continue investing in programs that foster an engaged, results-oriented culture within the agency with an emphasis on professional and personal growth.

Knowledge management remains a key component of our continuous learning strategy. As vacancies in critical occupations are projected, our continuity plans call for newly-hired employees to work closely with experienced employees to transfer critical knowledge and skills. We regularly monitor our policies on training and employee development to ensure we foster an environment that facilitates the transfer of knowledge.

We will continue to actively manage staffing through a centralized vacancy review process. All requests to fill vacant positions will continue to be made directly to the COO, who will base approval on a holistic assessment of the agency's staffing needs. We intend to recruit, select, and develop a workforce that is more diverse, analytical, adaptive, and technology-savvy. We will continue to develop strategies to retain high-performing, early-career employees. We will improve our ability to manage succession for key positions and build bench strength.

Human capital initiatives planned for FYs 2021 and 2022 focus on ensuring our recruitment strategy continues to attract qualified veterans, minorities, and individuals with disabilities. Because of the substantial number of new hires anticipated, the agency is in a unique position to increase its diversity.

Under FIRREA, we are required to maintain comparability with the total amount of compensation and benefits provided by other Federal bank regulatory agencies (FBRAs). We regularly participate in compensation studies with other FBRAs and incorporate funds within the budget that will permit the Board to fulfill its statutory responsibility. We have included funds in the FY 2022 budget for additional benefits that ensure comparability with the other FBRAs. While the Chairman has authority to establish compensation levels, consistent with Policy Statement 64, funding of changes in compensation or benefit programs will require additional FCA Board action.

Reserves

We have carryover funds that are comprised of the agency's reserve fund and assessment carryover. We have been reducing the amount we carry over from one budget year to the next within the parameters established by the Board. Reserve levels will be maintained at approximately $14.4 million to cover approximately two months of anticipated operating expenses. Section 5.15 of the Farm Credit Act of 1971, as amended, (12 U.S.C. 2250) allows FCA to maintain a necessary reserve.

Our interest reserve strategy, as adopted by the FCA Board is as follows:

> *The interest reserve strategy builds and maintains an agency interest reserve from accumulated interest earned on invested agency funds. FCA is not authorized to assess System institutions to cover the unbudgeted expenses arising from unusual and unexpected policy or safety and soundness issues that exceed the congressional limitation.*

The Board-established guidelines state that the reserve must cover at least two months of agency operating expenses and it must not exceed 30 percent of the agency's budget. Reserve expenditures are controlled and authorized by the FCA Board.

In formulating our financial plan, we project out five years and we integrate our financial plan with our human capital goals, IRM goals, and Strategic Plan. This long-term planning allows us to determine the level of funding needed to maintain the appropriate level of reserves and determine future assessment needs. Using carryover funds in determining assessments helps stabilize and control the growth in assessments for both the Farm Credit System and Farmer Mac.

We have been effectively and efficiently building a reserve from accumulated interest earned on invested agency funds. Because of this reserve, we are in a better position to cover unexpected, unbudgeted expenses and to manage the annual assessments of Farm Credit System institutions.

The table below breaks down the FY 2021 and FY 2022 budgets by FCA Office.

Office	FY 2021 Proposed Budget**	FY 2021 Revised Budget	FY 2022 Proposed Budget
Office of the Board and COO*	$3,541,772	$3,678,097	$3,592,102
Office of Equal Employment Opportunity and Inclusion	439,241	593,934	596,108
Office of Congressional and Public Affairs	1,946,348	2,069,750	2,062,650
Office of Examination	36,055,453	35,648,748	36,162,196
Office of Secondary Market Oversight	1,899,618	1,788,820	1,880,361
Office of the General Counsel	4,147,030	3,740,310	4,027,311
Office of the Chief Financial Officer	3,640,958	4,372,247	4,552,062
Office of Agency Services	5,738,600	5,018,986	5,015,341
Office of Information Technology	11,353,859	11,635,953	12,223,016
Office of the Inspector General	1,999,173	1,867,347	1,894,523
Office of Data Analytics and Economics	27,719	1,815,665	1,919,978
Office of Regulatory Policy	6,854,972	5,847,159	5,916,841
Undistributed	3,365,256	2,792,984	4,877,511
Total	**$81,010,000**	**$ 80,870,000**	**$ 84,720,000**

* Includes $6,500 for Reception and Representation ($500 for each Board member's office and $5,000 for the Secretary to the Board)

** Incorporates the FY 2021 annualized pay for performance and locality.

Fiscal Year 2021 Revised Budget

Sources of funding		
Assessments		TBD*
Reimbursements		
FCSIC	$350,627	
USDA	$119,373	
		$470,000
Carryover		TBD*
Total Budget		**$80,870,000**

* Assessment and carryover amounts will be determined in September 2020.

Full-time Equivalent (FTE) positions: 326.32 FTE
Change from FY 2021 proposed budget: +4.05 FTE

Budget by Object Classification			
Object Class	**Description**	**Budget Amount**	
1100	Total personnel compensation		$49,377,059
11.1	Full-time permanent	$48,416,288	
11.3	Other than full-time permanent	$525,453	
11.5	Other premium and differential pay	$435,318	
1200	Personnel benefits		$20,757,557
1300	Benefits for former personnel		$0
2100	Travel and transportation of persons		$3,134,352
2200	Transportation of things		$52,669
2300	Rent, communication, utilities and miscellaneous		$946,046
2400	Printing and reproduction		$160,062
2500	Other contractual services		$4,817,145
2600	Supplies and materials (includes reception and representation)		$1,188,960
3100	Equipment		$436,150
9200	Undistributed		$0
	Total budget		**$80,870,000**

Fiscal Year 2022 Proposed Budget

Sources of funding		
Assessments		TBD*
Reimbursements		
FCSIC	$357,115	
USDA	$162,885	
		$520,000
Carryover		TBD*
Total Budget		**$84,720,000**

* Assessment and carryover amounts will be determined in late FY 2021.

Full-time Equivalent (FTE) positions: 330.39 FTE
Change from FY 2021 proposed budget: +8.12 FTE

Budget by Object Classification			
Object Class	**Description**	**Budget Amount**	
1100	Total personnel compensation		$51,437,999
11.1	Full-time permanent	$50,497,146	
11.3	Other than full-time permanent	$502,526	
11.5	Other premium and differential pay	$438,327	
1200	Personnel benefits		$21,951,027
1300	Benefits for former personnel		$0
2100	Travel and transportation of persons		$3,317,732
2200	Transportation of things		$65,346
2300	Rent, communication, utilities and miscellaneous		$966,292
2400	Printing and reproduction		$145,594
2500	Other contractual services		$4,617,073
2600	Supplies and materials (includes reception and representation)		$1,186,077
3100	Equipment		$995,900
9200	Undistributed		$36,960
	Total budget		**$84,720,000**

Fiscal Years 2012-2022 Agency Budgets

Fiscal Year		Board-Approved Budget	Congressional Limitation	Total FTEs	Assessment
2012	Revised	$60,812,899	$61,000,000	304.17	$54,100,000
2013	Revised	$61,900,000	$63,300,000	300.31	$50,000,000
2014	Revised	$63,900,000	$62,600,000	302.67	$50,000,000
2015	Revised	$65,600,000	$60,500,000	295.73	$51,500,000
2016	Revised	$66,200,000	$65,600,000	296.85	$58,300,000
2017	Revised	$70,400,000	$68,600,000	309.57	$69,800,000[2]
2018	Revised	$73,200,000	$70,600,000	306.62	$71,200,000[3]
2019	Revised	$75,360,000	$74,600,000	314.24	$72,700,000
2020	Revised	$77,630,000	$77,000,000	319.69	$76,000,000[4]
2021	Revised	$80,870,000	$80,400,000*	326.32	TBD
2022	Proposed	$84,720,000	$84,200,000*	330.39	TBD

*Proposed

[2] Does not reflect the $3 million assessment reduction in the fourth quarter.
[3] Does not reflect the $3 million assessment reduction in the fourth quarter.
[4] Does not reflect the $3 million assessment reduction in the fourth quarter.

Farm Credit Administration

Regulator of the Farm Credit System

Performance and Accountability Report

Fiscal Year 2020

Mission

The Farm Credit Administration ensures that Farm Credit System institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America.

Contents

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List of acronyms appearing in report

CAMELS	capital, assets, management, earnings, liquidity, and sensitivity
CARES	Coronavirus Aid, Relief, and Economic Security Act
CEO	Chief Executive Officer
COO	Chief Operating Officer
COVID-19	coronavirus disease 2019
CSRS	Civil Service Retirement System
DATA	Digital Accountability and Transparency Act
EEO	Equal Employment Opportunity
Farmer Mac	Federal Agricultural Mortgage Corporation
FCA	Farm Credit Administration
FCS	Farm Credit System
FCSIC	Farm Credit System Insurance Corporation
FCSBA	Farm Credit System Building Association
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act
FMFIA	Federal Managers' Financial Integrity Act
FIRS	Financial Institution Rating System
FY	fiscal year
GAAP	generally accepted accounting principles
GAO	Government Accountability Office
GSE	government-sponsored enterprise
IM	informational memorandum
IT	information technology
Libor	London Interbank Offered Rate
NCB	National Consumer Cooperative Bank
ODAE	Office of Data Analytics and Economics
OE	Office of Examination
OIG	Office of Inspector General
OIT	Office of Information Technology
OMB	U.S. Office of Management and Budget
OPM	U.S. Office of Personnel Management
OSMO	Office of Secondary Market Oversight
PPP	Paycheck Protection Program
SFFAS	Statements of Federal Financial Accounting Standards
USDA	United States Department of Agriculture
YBS	young, beginning, and small (farmers and ranchers)

Statement of Board Chairman and CEO

November 12, 2020

As board chairman and CEO of the Farm Credit Administration, I invite you to review our Performance and Accountability Report for Fiscal Year 2020. Most of the report covers our activities from Oct. 1, 2019, to Sept. 30, 2020. However, the reporting period for two of the three goals in our Program Performance section begins on July 1, 2019, and ends on June 30, 2020, because the Sept. 30 results are not yet available for those goals when this report is due.

In March of this year, shortly after President Trump declared a national emergency because of the COVID-19 pandemic, we directed most of our workforce to telework from home or an approved alternate work location to reduce their chance of exposure. We also restricted business travel and in-person training to protect both our own staff and the staff of the institutions we regulate.

Despite the pivot to mandatory telework and the restriction of business travel and in-person training during the second half of the fiscal year, we achieved the goals outlined in our strategic plan and met or exceeded almost all performance targets. In addition, our financial statements received an unmodified opinion from an independent auditor. Based on the results of our internal evaluations, I can provide reasonable assurance that the financial and performance information in this report is complete and reliable. We also have no material weaknesses in our internal controls.

FCA is the arm's length regulator of the Farm Credit System (System) and the Federal Agricultural Mortgage Corporation (Farmer Mac). Our mission is to ensure that System institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America.

The System holds 42.6% of the nation's total farm business debt, so it plays a vital role in the health of the nation's agricultural economy. And Farmer Mac, which provides a secondary market for agricultural real estate mortgages and rural cooperative loans, enhances the ability of lenders to offer competitive financing to rural borrowers and farmland investors.

Both the System and Farmer Mac are well capitalized and remain financially safe and sound. Together, the Farm Credit System banks and associations held $385 billion in assets as of June 30, 2020, up 9.1% from the year before. Farmer Mac had a net worth of $824 million as of that date, up 6.5% from the year before.

Over the past fiscal year, we worked to protect the financial soundness of the System and Farmer Mac and to ensure that they continue to fulfill their missions to serve agriculture and rural America. Here are some of the ways we accomplished these goals during the reporting period from July 1, 2019, to June 30, 2020:

- Examined System institutions and Farmer Mac in accordance with statutory requirements
- Prepared 53 formal reports of examination and 29 interim activity letters
- Issued final rules on the criteria for reinstating nonaccrual loans and on margin and capital requirements for covered swap entities

- Issued an interim final rule to give covered swap entities an additional year to implement initial margin requirements because of the COVID-19 pandemic
- Issued proposed rules governing the amortization limits on certain loans, district financial reporting, the eligibility of investments made by the System's associations, and the implementation of the methodology for current expected credit losses for allowances
- Requested public comment on interagency questions and answers on flood insurance
- Continued to study the loan syndicate market
- Analyzed and reported on the System's service to young, beginning, and small farmers and ranchers, as well as economic conditions in agriculture and the Farm Credit System
- Issued guidance to System institutions on such topics as the following:
    - Ensuring critical infrastructure services and functions during the pandemic
    - Managing challenges associated with the COVID-19 pandemic
    - Making loans under the Paycheck Protection Program
    - Issuing loans when the National Flood Insurance Program is unavailable
    - Financing hemp
    - Servicing loans to borrowers affected by significant weather events
- Issued guidance to Farmer Mac on working with its lending and servicing partners to provide flexibility and assistance to borrowers experiencing financial challenges due to the COVID-19 pandemic, and on working with these partners on the reporting of troubled debt restructuring, borrower rights, and nonaccrual determinations for borrowers affected by COVID-19
- Responded to 33 borrower inquiries and complaints

Also, our efforts to strengthen employee engagement continue to yield results. In 2019, we were ranked number two among small agencies in the Partnership for Public Services' Best Places to Work in the Federal Government, and first in the subcategory for diversity and inclusion. We do not yet know our ranking for 2020 because of the delay in the release of the Federal Employee Viewpoint Survey, but we anticipate strong results for this year as well.

So despite a year of unprecedented challenges, I'm pleased to report that we had a successful year in FY 2020, thanks to the hard work and dedication of our staff. I look forward to continued success in FY 2021 and beyond.

Glen R. Smith
Board Chairman and CEO

Management's Discussion and Analysis

This section provides an overview of the Farm Credit Administration and our mission. It highlights information on FCA's performance, financial results, systems and controls, compliance with laws and regulations, and an assessment of future challenges and plans.

FCA at a Glance

The Farm Credit Administration is an independent agency in the executive branch of the U.S. government. We are responsible for regulating and supervising the Farm Credit System (its banks, associations, and related entities) and the Federal Agricultural Mortgage Corporation (Farmer Mac).

The System is a nationwide network of borrower-owned financial institutions that provide credit to farmers, ranchers, residents of rural communities, agricultural and rural utility cooperatives, and other eligible borrowers.

FCA is responsible for ensuring that the System remains a dependable source of credit for agriculture and rural America. We do this in two specific ways:

- We ensure that System institutions, including Farmer Mac, operate safely and soundly and comply with applicable laws and regulations.
- We issue policies and regulations governing how System institutions conduct their business and interact with borrowers.

FCA history

An executive order by President Franklin D. Roosevelt in 1933 placed all existing agricultural credit organizations under the supervision of a new agency, the Farm Credit Administration. FCA was independent until 1939, when it became part of the U.S. Department of Agriculture (USDA), but became an independent agency again under the Farm Credit Act of 1953. This act created a federal Farm Credit Board with 13 members (one from each of the 12 farm credit districts and one appointed by the Secretary of Agriculture) to develop policy for FCA. Farmer-borrowers now had a voice at the national level.

FCA also played a pivotal role in the federal credit union movement, when in 1934 it was given responsibility for chartering, examining, and supervising all federal credit unions. Before this oversight was turned over to the Federal Deposit Insurance Corporation in 1942, FCA had chartered and examined annually more than 4,000 credit unions.

FCA derives its current powers and authorities from the Farm Credit Act of 1971, as amended (12 U.S.C. 2001 – 2279cc). This act gave the banks and associations more flexibility in lending to production agriculture and authorized lending to commercial fishermen and rural homeowners. In 1980, the law was amended to encourage lending to young, beginning, and small farmers. The U.S. Senate Committee on Agriculture, Nutrition, and Forestry and the U.S. House of Representatives Committee on Agriculture oversee FCA and the Farm Credit System.

FCA funding and governance

FCA does not receive a federal appropriation. We maintain a revolving fund financed primarily by assessments from the institutions we regulate. Other sources of income for the revolving fund are interest earned on investments with the U.S. Treasury and reimbursements for services we provide to federal agencies and others.

FCA's policy, regulatory agenda, and supervisory and examination activities are established by a full-time, three-person board whose members are appointed by the president of the United States with the advice and consent of the Senate.

Board members serve a six-year term and may remain on the board until a successor is appointed. The president designates one member as chairman of the board, who serves in that capacity until the end of his or her own term. The chairman also serves as our chief executive officer.

FCSIC

FCA board members also serve as the board of directors for the Farm Credit System Insurance Corporation (FCSIC), which is a separate independent agency. FCSIC was established by the Agricultural Credit Act of 1987 in the wake of the agricultural credit crisis of the 1980s. The purpose of FCSIC is to protect investors in Systemwide debt securities by insuring the timely payment of principal and interest on certain System notes, bonds, and other obligations purchased by investors. FCSIC does so by maintaining the Farm Credit Insurance Fund, a reserve that represents the equity of FCSIC.

FCA offices

Our headquarters and one field office are in McLean, Virginia. We also have field offices in Bloomington, Minnesota; Dallas, Texas; Denver, Colorado; and Sacramento, California.

As of Sept. 30, 2020, FCA had 312 full- and 5 part-time employees. These employees work in the following offices, with the majority serving in the Office of Examination.

The **FCA board** manages, administers, and establishes policies for FCA. The board approves the policies, regulations, charters, and examination and enforcement activities that ensure a strong FCS. The board also provides for the examination and supervision of the FCS, including Farmer Mac, and oversees the activities of the FCS Building Association, which acquires, manages, and maintains FCA headquarters and field office facilities. Glen R. Smith is the board chairman.

The **chairman of the FCA board** serves as the chief executive officer (CEO). The CEO enforces the rules, regulations, and orders of the FCA board. He or she directs the implementation of policies and regulations adopted by the FCA board. The Office of the Chief Executive Officer plans, organizes, directs, coordinates, and controls our day-to-day operations and leads the agency's efforts to achieve and manage a diverse workforce. Glen R. Smith is the CEO.

The **chief operating officer (COO)** has broad responsibility for planning, directing, and controlling the operations of the Offices of Agency Services, Examination, Regulatory Policy, Data Analytics and Economics, Information Technology, Chief Financial Officer, and General Counsel in accordance with the operating philosophy and policies of the FCA board. He or she supervises and provides policy direction to the executive staff responsible for managing these offices. The COO oversees and coordinates the development and implementation of the agencywide strategic, operating, and budget plans and activities. The COO also coordinates the resolution of internal policy, personnel, and program issues with agency executive leadership and the FCA board.

The **Office of Agency Services** manages and delivers human capital and administrative services for the agency. The office consists of three service delivery teams: Human Resources Division, Operations Division, and Learning and Organizational Change Team. Services provided include strategic human capital management, staffing and placement, job evaluation, compensation and benefits, payroll administration, performance management, awards, employee relations, employee training and development, property management, personnel security, continuity of operations and emergency preparedness, supply services, and mail service.

The **Office of the Chief Financial Officer** supports FCA's operations by providing financial management policy advice, reporting the agency's financial results, and facilitating the agency's strategic planning efforts. The office manages the agency's compliance with federal financial management requirements. It also reports on the accuracy and propriety of transactions, the extent to which assets are accounted for and safeguarded, and the adequacy of internal controls to detect and prevent material financial misstatements. It oversees the agency's budget, the investments committee, the FCS assessments, and the agency's purchasing, credit card, and travel/relocation programs. It also facilitates the agency's risk management and internal control efforts to help ensure operational and fiscal effectiveness and efficiency.

The **Office of Congressional and Public Affairs** serves as the agency's principal point of contact for Congress, the media, other government agencies, FCS institutions, employees, System borrowers, and the public. The office develops and monitors legislation pertinent to FCA and the FCS, serves as the agency's congressional liaison, facilitates intergovernmental relations, and prepares testimony for the chairman and other board members. It also provides information to external audiences through news releases, fact sheets, reports, videos, and other publications. The office cultivates relationships with media representatives who report on matters related to agriculture and rural credit, and it manages the content of the FCA website and social media channels. It also organizes special meetings, briefings for international visitors, and field hearings.

The **Office of Data Analytics and Economics** evaluates strategic risks to the System and agency using data, analytics, economic trends, and other risk factors. Its staff members serve as stewards for agency data and provide information to the board and management for objective, evidence-based decision-making across FCA. The office facilitates an agencywide strategy for analytics and collaborates on business intelligence tools and the development of models to meet the strategic needs of the agency.

The **Office of Examination** is responsible for examining and supervising each FCS institution in accordance with the Farm Credit Act and applicable regulations. The office develops oversight plans; conducts examinations; monitors the System's condition and current and emerging risks to the System; and develops supervisory strategies to ensure that the FCS operates in a safe and sound manner, complies with the law and regulations, and fulfills its public policy purpose. For more information about the role of the Office of Examination, go to www.fca.gov/bank-oversight/guidance and click board policy statements to read our "Examination Philosophy" (FCA-PS-53).

The **Office of General Counsel** provides the FCA board and staff with legal counsel as well as guidance on the Farm Credit Act and general corporate, personnel, ethics, and administrative matters. The office supports the agency's development and promulgation of regulations, enforcement of applicable laws and regulations, and implementation of conservatorships and receiverships. It represents and advises the agency on civil litigation. It also serves as the liaison to the Federal Register, administers the agency's ethics program, and handles Freedom of Information Act requests.

The **Office of Information Technology** supports the information, solutions, and IT infrastructure that empower FCA to fulfill its mission. It is a respected partner in fulfilling FCA's mission through innovative solutions. The office is responsible for protecting agency technology assets, planning and controlling information technology investments, leading change to improve the efficiency and effectiveness of agency operations, and maintaining compliance with IT regulatory mandates. It is responsible for continuing to leverage FCA's investment in technology by collaborating across agency offices to identify and re-engineer business applications, data systems, and processes.

The **Office of Inspector General** provides independent and objective oversight of agency programs and operations through audits, inspections, evaluations, investigations, and the review of proposed legislation and regulations. The office promotes economy and efficiency within FCA and seeks to prevent and detect fraud, waste, abuse, and mismanagement in the agency's programs and operations.

The **Office of Regulatory Policy** manages policy and regulation development activities that ensure the safety and soundness of the FCS and support the System's mission. Policy and regulation development activities include the analysis of policy and strategic risks to the System on the basis of economic trends and other risk factors. The office also evaluates all regulatory and statutory prior approvals for System institutions on behalf of the FCA board, including chartering and other corporate approvals as well as funding approvals.

The **Office of Secondary Market Oversight** provides for the examination, regulation, and supervision of Farmer Mac to ensure its safety and soundness and the accomplishment of its public policy purpose as authorized by Congress. It also ensures that Farmer Mac complies with applicable laws and regulations, and it manages FCA's enforcement activities with respect to Farmer Mac.

The **secretary to the board** serves as the parliamentarian for the board and keeps permanent and complete records of the acts and proceedings of the board. He or she ensures that the board complies with statutory, regulatory, and internal operation reporting requirements. The secretary to the board also serves as secretary to the Farm Credit System Insurance Corporation board. In addition, he or she serves as the Sunshine Act official for the FCA board.

The **Office of Equal Employment Opportunity and Inclusion** manages and directs the diversity, inclusion, and equal employment opportunity (EEO) program for FCA and FCSIC. The office serves as the chief liaison with the Equal Employment Opportunity Commission and the Office of Personnel Management on all EEO, diversity, and inclusion issues. The office provides counsel and leadership to agency management to carry out its continuing policy and program of nondiscrimination, affirmative action, and diversity.

The **designated agency ethics official** is designated by the FCA chairman to administer the provisions of title I of the Ethics in Government Act of 1978, as amended, to coordinate and manage FCA's ethics program and to provide liaison to the Office of Government Ethics with regard to all aspects of FCA's ethics program.

Figure 1: FCA organizational chart as of September 2020

For an accessible version of this chart, go to www.fca.gov/about/fca-organizational-chart

FCA Board

Glen R. Smith, Chairman

Jeffery S. Hall, Member

- **Office of the Board Chairman and Chief Executive Officer**
  Glen R. Smith
  - **Office of the Chief Operating Officer**
    S. Robert Coleman
    - **Office of the Chief Financial Officer**
      Stephen G. Smith
    - **Office of Agency Services**
      Vonda Bell
    - **Office of Examination**
      Roger Paulsen
    - **Office of Information Technology**
      Jerald Golley
    - **Office of Regulatory Policy**
      David Grahn
    - **Office of General Counsel**†
      Charles R. Rawls
    - **Office of Data Analytics and Economics**
      Jeremy D'Antoni
  - **Office of Secondary Market Oversight***
    Laurie A. Rea
  - **Office of Congressional and Public Affairs**
    Michael A. Stokke
  - **Designated Agency Ethics Official**
    Jane Virga
  - **Equal Employment and Inclusion Director**
    Thais Burlew
  - **Secretary to the Board**
    Dale L. Aultman
- **Office of Inspector General**
  Wendy R. Laguarda

* Reports to the board for policy and to the CEO for administration.

† Maintains a confidential advisory relationship with each of the board members.

The headquarters of the Farm Credit Administration, located in McLean, Virginia.

Highlights of FCA's Performance Goals and Results

FCA's mission is to ensure that Farm Credit System institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America.

In our Strategic Plan for Fiscal Years 2018 – 2023, we identified three goals we must meet to fulfill our mission. For each goal, we identified strategies and actions to achieve the goal, as well as a set of performance measures to monitor our progress in meeting the goal.

Our Performance Report (page 29) shows that we met the goals identified in our strategic plan and met or exceeded most of the performance measures for which there are data to measure performance. The following is a summary analysis of our performance in reaching our goals.

Goal 1 Highlights

Public mission: Ensure that the FCS and Farmer Mac fulfill their public missions for agriculture and rural areas.

There are nine strategies and six performance measures established for goal 1 in the strategic plan (see table 7a). The six performance measures are as follows:

1. Percentage of FCS institutions providing products and services that serve creditworthy and eligible persons and perform outreach to enhance diversity and inclusion. (Target: ≥90%)
2. Whether Farmer Mac's business plan contains strategies to promote and encourage the inclusion of all qualified loans, including loans to small farms and family farmers, in its secondary market programs, and whether its business activities further its mission to provide a source of long-term credit and liquidity for qualifying loans. (Target: Yes)
3. Percentage of direct-lender institutions with satisfactory consumer and borrower rights compliance. (Target: ≥90%)
4. Percentage of direct-lender institutions with young, beginning, and small (YBS) programs for farmers and ranchers that are in compliance with YBS regulations. (Target: ≥90%)
5. Whether the majority of objectives listed in the preamble of each final rule were met on the two-year anniversary of the rule's effective or implementation date. (Target: Yes)
6. Percentage of prerulemaking projects and proposed rules on which FCA requested input from persons outside of FCA. (Target: 100%)

We achieved or exceeded our targets for all six measures associated with goal 1.

Goal 2 Highlights

Safety and soundness: Evaluate risk and provide timely and proactive oversight to ensure the safety and soundness of the System and Farmer Mac.

There are six strategies and six performance measures for goal 2 (see table 7b). The performance measures are as follows:

1. Percentage of System assets in institutions with composite CAMELS[1] ratings of 1 or 2. (Target: ≥90%)
2. Percentage of requirements in supervisory agreements with which FCS institutions have at

1 CAMELS is a rating of capital, assets, management, earnings, liquidity, and sensitivity.

least substantially complied within 18 months of execution of the agreements. (Target: ≥80%)

3. Percentage of institutions complying with regulatory capital ratio requirements. (Target: ≥90%)

4. Whether the Office of Secondary Market Oversight's examination and oversight plan and activities effectively identify emerging risks, and whether appropriate supervisory and corrective actions have been taken to effect change when needed. (Target: Yes)

5. Percentage of institutions with satisfactory audit and review programs, including institutions with acceptable corrective action plans. (Target: 100%)

6. Whether five or more reports and dashboards were created that use data collected from the Farm Credit System to assess risk in the System. (Target: Yes)

We achieved or exceeded the targets for four of the six measures associated with goal 2. During this reporting period, performance measure 2 was not applicable because we did not have any supervisory agreements in place with FCS institutions. For performance measure 5, we missed our target of 100% because one institution's corrective action plan did not adequately address a weakness at the end of the reporting period. We have continued to follow up with the institution.

Goal 3 Highlights

Workforce management: Cultivate an environment that fosters a well-trained, motivated, and diverse staff while providing an effective plan for leadership succession.

There are four strategies and two performance measures for goal 3 (see table 7c). The performance measures are as follows:

1. Whether, as part of its recruiting efforts for entry-level examiners, FCA has ensured that at least 25% of its outreach efforts target applicants with a disability or who are members of a minority group. (Target: Yes)

2. Whether we have maintained or improved our score from last year in the annual employee satisfaction survey. (Target: Yes)

We achieved the targets for the first measure associated with goal 3. For the second measure, we could not calculate our employee engagement index score because the Federal Employee Viewpoint Survey for 2020 was not released by the Office of Personnel Management until Sept. 24, and the results will not be available until January 2021.

Resources to achieve our strategic goals

The performance goals, as outlined in the strategic plan, provide a framework for the development of the annual budget request and the performance measures and targets. We formulate and execute our budget by allocating resources according to the agency goals. We assess and measure our overall effectiveness in fulfilling our mission through the resulting analysis of the performance measures.

When we formulate and execute our budget, we allocate dollars as follows:

- Goal 1 — Public mission
- Goal 2 — Safety and soundness
- Goal 3 — Other activity

Goals 1 and 2 above align with the goals as noted in the performance report. Goal 3, however, differs between the performance report and the performance budget and execution. Costs for the workforce management goal in the strategic plan are an inherent part of our ability to fulfill our primary agency goals of public mission and safety and soundness. In the performance budget and in our execution of the budget, we use the other activity goal to track reimbursable activity separate from other agency primary mission costs. Table 1 displays the proportion of our budget allocated to each goal and the proportion of the costs associated with each goal.

Table 1. FY 2020 performance budget versus program costs

Agency programs	**% of total performance budget**	**% of total program costs**
Public mission	21.6%	24.3%
Safety and soundness	76.4%	74.7%
Other activity	2.0%	1.0%
Total	**100.0%**	**100.0%**

During FY 2020, we had a higher proportion of program costs for public mission than anticipated in our budget. This was primarily due to our additional regulatory efforts to address issues in the System related to the COVID-19 pandemic. The percentage of costs related to our safety and soundness goal were lower than budgeted partly because we restricted agency travel as part of our COVID-19 strategy to keep our employees safe.

For specifics on the agency resources expended in support of our agency goals, please refer to the Program costs and revenues section on page 19.

For more information about our performance results, see the performance results tables on page 41 to 45.

Analyses and Highlights of FCA's Financial Statements

Financial Highlights

Financial operation of FCA

We pay for planned administrative expenses from a revolving fund, which is funded primarily by assessments received from Farm Credit System institutions, including the Federal Agricultural Mortgage Corporation (Farmer Mac) and the System's service corporations.

We calculate the assessments using a formula established by FCA regulation. The FCA board approves our budget, and Congress usually imposes a limitation on the dollar amount of obligations that we may incur in a given fiscal year.

In addition to assessments, we receive funds from two other sources:

- **Reimbursable services:** We are reimbursed for the cost of examining the National Consumer Cooperative Bank and for performing services for the Farm Credit System Insurance Corporation and the U.S. Department of Agriculture (USDA).
- **Interest earned:** We earn interest on investments with the U.S. Department of the Treasury. We use interest earned on investments to build and maintain an agency reserve. The reserve ensures that we can effectively and efficiently respond to unexpected, unbudgeted expenses without needing to increase assessments.

The following sections highlight our financial condition for FYs 2020 and 2019. Our financial statements are provided on page 54 to page 69.

Activity in response to COVID-19

Beginning March 16, the agency directed most of its workforce to telework from home or an alternate work location because of the COVID-19 pandemic. It also suspended all on-site examinations and restricted business travel and in-person training. The telework period has been extended several times because of ongoing health and safety concerns; however, staff have been allowed to return to the office on a limited and voluntary basis.

We issued a news release on March 17 encouraging System institutions to work with System borrowers whose operations have been affected by COVID-19 and outlining the measures taken to prevent its spread. The agency also offered temporary relief from certain regulatory and reporting requirements to System institutions affected by the pandemic.

During FY 2020, we did not experience any significant financial impact as a result of COVID-19. We also did not receive any budgetary resources under any of the COVID-19 supplemental appropriations or other acts. Any expenses related to COVID-19 were nominal and immaterial to our overall costs.

FCA's assets, liabilities, and net position

As shown in table 2, our total assets (the resources we own) for FY 2020 are composed of the following:

- Fund balance with Treasury (10.3%)
- Investments (84.6%)
- Accounts receivable and prepayments (0.7%)
- Property and equipment (4.4%)

During FY 2020, total assets increased by $3,116,602, or 8.3%, from amounts reported in FY 2019.

As of Sept. 30, 2020, the agency held $4,204,180 in cash (fund balance with Treasury). While we invest all excess cash in U.S. Treasury securities, the timing of when cash is collected affects the ending balance. The increase in our cash balance relative to 2019 was due to a higher influx of funds collected on Sept. 30 after the cutoff time for investing. Cash collected after the investment cutoff for the day remains as an available cash balance and is invested the following day. The collections on Sept. 30 were prepaid assessments (that is, assessments due on Oct. 1 but received on or before Sept. 30) from several FCS institutions.

Property and equipment assets increased in 2020 primarily because the agency added new laptops to the capitalized asset inventory. Depreciation expense on the current set of capitalized equipment offset the increase in property and equipment due to the new laptops.

Our investment portfolio, which accounts for the largest portion of our total assets, decreased by only $142,532 in FY 2020, thus remaining relatively flat compared with that of FY 2019. We purchased $16,668,733 in U.S. Treasury securities during fiscal year 2020, using an investment strategy that enables us to both maintain a steady cash flow for agency operations and earn interest to build the agency reserve. We hold the reserve funds in contingency to address specific, onetime, unforeseen events without increasing assessments at a time that may be financially difficult for System institutions. Our policy is to maintain a reserve balance that covers approximately two months of operating expenses. Section 5.15 of the Farm Credit Act of 1971, as amended, (12 U.S.C. 2250) allows FCA to maintain a necessary reserve. The interest reserve makes up roughly 42% of our total investment portfolio. The remaining balance in the interest portfolio is our unobligated balance net of our cash balance at Sept. 30, 2020.

Table 2. Composition of assets

Assets	**FY 2020**	**FY 2019**	**% Change**
Fund balance with Treasury	$4,204,180	$1,388,463	202.8%
Investments	34,471,697	34,614,229	(0.4%)
Accounts receivable and prepayments	261,233	447,803	(41.7%)
Property and equipment	1,803,072	1,173,085	53.7%
Total	**$40,740,182**	**$37,623,580**	**8.3%**

Table 3. Composition of liabilities

Liabilities	**FY 2020**	**FY 2019**	**% Change**
Accounts payable	$517,512	$764,605	(32.3%)
Accrued liabilities (payroll and benefits)	8,192,979	7,659,548	7.0%
Employer contributions and taxes payable	1,291,653	1,094,009	18.1%
Workers' compensation (funded and unfunded)	1,511,590	1,630,984	(7.3%)
Deferred revenue	6,331,840	5,572,620	13.6%
Total Liabilities	**$17,845,574**	**$16,721,766**	**6.7%**

Our liabilities, as shown in table 3, consist of the following:

- Accounts payable (2.9%)
- Payroll and benefits (45.9%)
- Employer contributions and taxes payable (7.2%)
- Workers' compensation (8.5%)
- Deferred revenue (35.5%)

Like total assets, our total liabilities (what we owe to the public and other government agencies) increased. Driven primarily by the increase in deferred revenue and accrued liabilities, overall liabilities increased by $1,123,808 or 6.7% from 2019 to 2020.

Deferred revenue — assessments received from FCS institutions that are not due until Oct. 1 — increased by $759,220 relative to 2019. This was due to a higher number of institutions paying their assessment before Oct. 1 this year. At the beginning of each fiscal year we reclassify any prepaid assessments as revenue earned in October of the new year.

Accrued liabilities increased by $533,431 as of Sept. 30, 2020 compared with those as of Sept. 30, 2019. This increase is primarily the result of a higher year-end payroll accrual in 2020. We record a liability (an accrual) for payroll expenses not posted in the financial system as of Sept. 30 each year. Based on the timing of the pay periods and when payroll is posted, the year-end accrual could include extra days in the calculation. For 2020, the year-end payroll accrual included two more days than the 2019 accrual.

Our accounts payable decreased by $247,093 this year. The amount of our 2020 year-end liabilities for services received but not paid was lower than that of 2019.

Our net position, which represents the cumulative results of operations since the agency began, increased by $1,992,794, or 9.5%, during FY 2020. The net position increased primarily because of the decrease in the net cost of operations (see the Program Costs and Revenues section). For a breakdown of the net position, see the statement of changes in net position on page 57.

FCA's status of funds

Our budget represents our plan for achieving our mission and strategic goals while operating as effectively and efficiently as possible. Table 4 shows our board-approved budget amounts for FYs 2020 and 2019. The overall FY 2020 budget increased by 3.0% over the 2019 budget.

In FY 2020, we continued to carry out our mission, program goals, and objectives within the available budget. Our board-approved budget for FY 2020 was $77.6 million and the congressional limitation on our spending was $77.0 million. The FY 2019 congressional limitation was $74.6 million. The congressional limitation is the spending limit imposed by Congress on the non-reimbursable portion of our budget for the year. It limits the

Table 4. Agency budget

Budget funding sources	FY 2020	FY 2019	Difference
Assessments (current year)*	$76,000,000	$72,700,000	$3,300,000
Assessments (carryover from prior years)	1,000,000	1,900,000	$(900,000)
Reimbursable activity	630,000	760,000	$(130,000)
Total	**$77,630,000**	**$75,360,000**	**$2,270,000**

* Assessments for FY 2020 were reduced by $3 million in the fourth quarter.

amount of assessments that we may use to pay for administrative expenses. The limitation includes assessment amounts for the current year as well as assessment carryover from prior years.

As table 5 shows, the funds used in 2020 decreased by $1,141,085 over 2019. The largest factor in this decrease was a result of reduced travel in the second half of the fiscal year. Due to the COVID-19 pandemic, we restricted agency travel for the safety of our staff and System staff.

The assessment funds we used in 2020 amounted to 95.0% of our congressional limitation in 2020 (see table 6). We reduced the FY 2020 assessments in the 4th quarter by $3.0 million. Personnel compensation and benefits continue to account for the most significant use of funds at FCA, representing approximately 86.2% of total funds used in 2020. Salary and benefits increased by $1,044,965 in FY 2020, which is a smaller increase than in years past. We had more employees depart or retire in 2020 than in 2019.

Contractual services increased by 3.7% over last year and represented approximately 8.9% of the total funds used in 2020. The increase in contractual services was from actions to address agency needs for security, data analytics, examiner training, and temporary gaps in staffing. Funds used for property and equipment decreased by $708,036;

Table 5. Funds used by major budget category

Budget category	FY 2020	FY 2019	% Change
Personnel compensation and benefits	$63,406,743	$62,361,778	1.7%
Travel and transportation	1,076,845	2,907,216	(63.0%)
Contractual services	6,550,001	6,314,604	3.7%
Property and equipment	465,321	1,173,357	(60.3%)
Other	2,024,967	1,908,007	6.1%
Total*	**$73,523,877**	**$74,664,962**	**(1.5%)**

* The total funds used include reimbursable activity that is not subject to the congressional limitation.

Table 6. Funds used based on congressional limitation

Funds used category	2020 Funds used	Congressional limitation	Percentage used
Assessment funds used*	$73,119,944	$77,000,000	95.0%

* Includes amounts used from the assessed amounts for the year and assessment carryover amounts used to fund the budget.

this decrease reflects the planned acquisition of new laptops for the agency in 2019. The new laptops were rolled out to agency staff during FY 2020 and added to our capitalized asset inventory.

Program costs and revenues

This section describes our program costs and revenues for the fiscal years ended Sept. 30, 2020, and Sept. 30, 2019. Please read this section in conjunction with the statements of net cost. Because this section focuses on the cost of operations, some of the data provided here may differ from data provided in other sections of this report that are based on budgetary accounting.

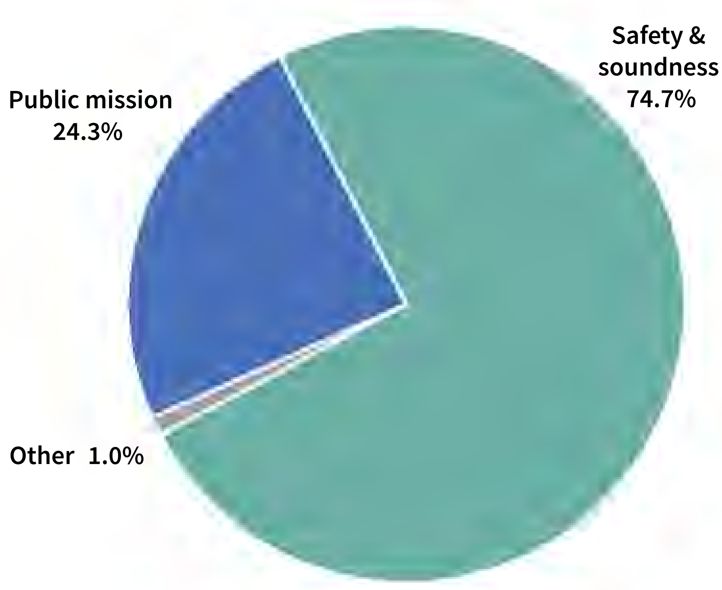
Another difference when assessing our program costs relative to our performance goals and measures is the analysis of goal 3. For purposes of the strategic plan and the performance goals, goal 3 is related to workforce management. Costs to address workforce management are intrinsic to our main goals of public mission and safety and soundness and are captured as part of those goals. Goal 3 for purposes of the performance budget and costs is related to our reimbursable activity. We track these costs separately from the rest of our agency mission costs noted in goals 1 and 2.

We achieve our strategic goals and manage our costs with sound business planning and effective resource management. The net cost of our programs totaled $4,093,119 for the 12 months ended Sept. 30, 2020, compared with $6,744,924 for the same period the previous year. While earned revenue remained virtually unchanged, a decrease in gross costs in 2020 resulted in a lower net cost — a decrease in net cost of $2,651,805 from 2019.

The total cost of our programs for FY 2020 is $78,216,033, compared with $80,918,903 for FY 2019. This represents a decrease of $2,702,870, or 3.3%, from 2019. Figure 2 shows the breakdown of FY 2020 gross costs for each of our goals. Most of our costs support our mission and program goals. The decrease in total costs is primarily due to decreases in travel because of COVID-19 travel restrictions.

Employee salaries and benefits represent our greatest overall cost. For 2020, employee compensation totaled $65,397,706, or 83.6%, of total cost. Though the size of our staff increased in 2020,

Figure 2. Percentage of FY 2020 gross costs by agency goal



employee compensation decreased slightly with decreases in costs for imputed employee benefits and the attrition of higher salaried personnel. We recruit and train staff to fill vacancies in accordance with our employment and diversity strategies to meet operational challenges such as the COVID-19 pandemic and evolving risks in the FCS, including Farmer Mac. We periodically perform compensation studies to comply with the Financial Institution Reform, Recovery, and Enforcement Act of 1989, which requires us to keep our salaries and benefits comparable with the salaries and benefits of other federal financial institution regulators.

Keeping compensation competitive helps us continue to fulfill our mission to provide the FCS, including Farmer Mac, with effective regulation and oversight.

Figure 3 shows the breakdown of FY 2020 gross revenue allocated to each of our goals. Earned revenue for 2020 totaled $74,122,914, down $51,065, or .1%, from 2019. Earned revenue for 2020 remained relatively static compared with that of 2019. We reduced assessments by $3.0 million in FY 2020, which resulted in similar assessment totals for 2020 and 2019 — a difference of only $300,000.

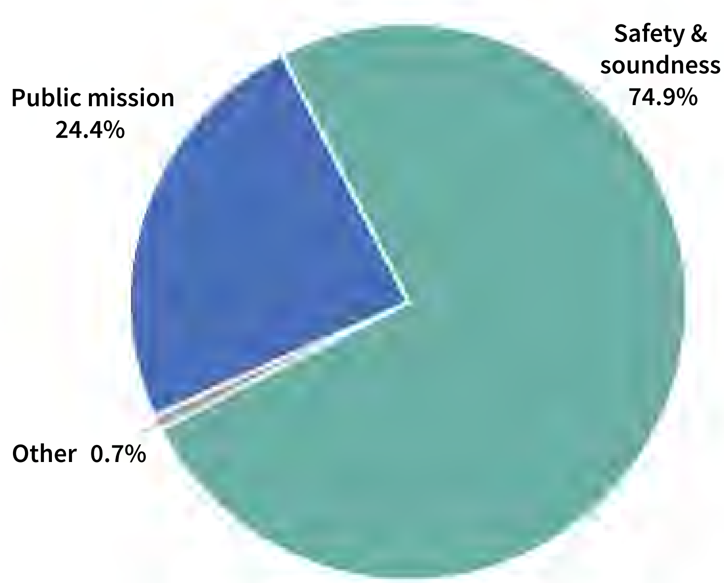
Figure 4 shows the breakdown of our three sources of revenue — assessments, interest on investments, and reimbursable activity. As one would expect, most of our revenue is derived from assessments (98.5%). Those revenues are used to fulfill our primary goals of carrying out our public mission and ensuring the safety and soundness of the System.

Public mission program

We invest significant resources in our policymaking, regulatory, and corporate activity functions to ensure that the FCS, including Farmer Mac, fulfills its public mission as mandated by Congress. During FY 2020, we continued to ensure the safe and sound flow of funds to U.S. agriculture and rural areas by providing regulation, policy, and guidance for the FCS and Farmer Mac.

Costs for our public mission program include the review of borrower complaints. In accordance with the Farm Credit Act, we also review and approve FCS institutions' mergers to enable institutions to structure themselves to best serve their customers. During FY 2020, we also took additional policy and regulatory actions to address issues in the System that stemmed from the ongoing COVID-19 pandemic.

Figure 3. Percentage of FY 2020 gross revenue by agency goal



For the fiscal year ended Sept. 30, 2020, the program cost for our public mission was $19,014,091, representing a decrease of $1,458,089, or 7.1%, from the same period the previous year. The decrease is primarily from a decrease in program staff because of personnel work reassignments and attrition. The cost for the public mission program represents 24.3% of our total costs for 2020.

Safety and soundness program

Costs associated with the agency's examination and supervision activities make up the largest portion of our expenditures at the program level. In 2020, the cost of the safety and soundness program decreased primarily because of decreases in travel and contract services for professional training resulting from our response to the COVID-19 pandemic. Despite the decrease in travel, we still rose to the challenge of fulfilling our safety and soundness goal and addressing growing risk in the FCS from a decline in the U.S. agricultural economy.

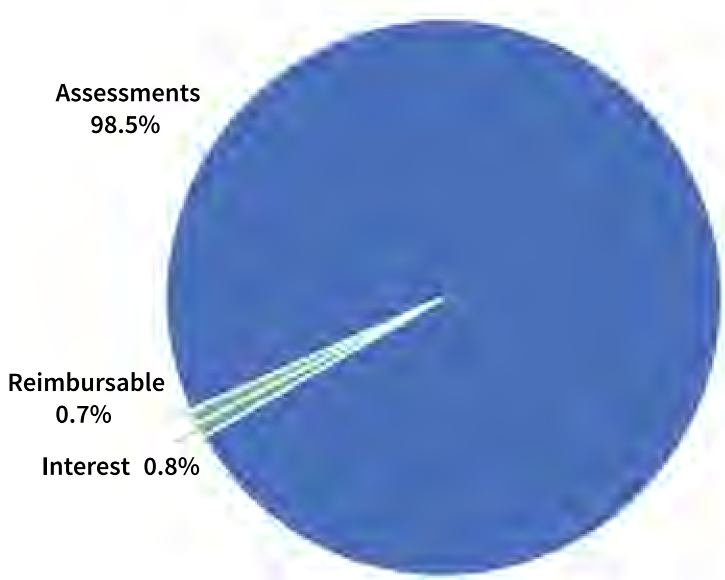
We invest heavily in the recruitment and training of examination staff through our Examiner Commissioning Program. These recruiting and training efforts are necessary to meet human resource needs and to offset the impact of unplanned employee attrition and the large number of retirements expected within the next few years. These actions have enabled us to maintain our level of supervision of the FCS while our entire staff worked remotely during the second half of the fiscal year. During FY 2020, we met our goals and performance targets to ensure the safety and soundness of the System while at the same time ensuring the safety of our staff and the staff of the FCS and Farmer Mac during the ongoing COVID-19 pandemic.

Program cost for the examination and supervision of the FCS and Farmer Mac decreased $1,020,685 to $58,420,531. Safety and soundness represents 74.7% of our total costs in 2020.

Other activity

"Other activity" includes examining and overseeing the National Consumer Cooperative Bank and performing reimbursable services for USDA and the Farm Credit System Insurance Corporation. We performed fewer reimbursable services this year than last year. Costs associated with this category decreased by $224,096 from 2019 to $781,411. The costs for providing reimbursable services remain relatively low compared with the total costs for our public mission and safety and soundness goals.

Figure 4. FY 2020 sources of revenue



Other activity represented approximately 1.0% of our total costs in 2020.

Earned revenue for other activity totaled $504,831 for 2020, compared with $668,273 for 2019. Like costs, revenue for other activity also decreased as a result of the decreased reimbursable work performed in 2020.

Limitations of financial statements

As required by 31 U.S.C. 3515(b), we have prepared the principal financial statements to report the financial position and results of our operations. We have prepared these statements from our books and records in accordance with U.S. generally accepted accounting principles for federal entities and the formats prescribed by the Office of Management and Budget. Reports used to monitor and control budgetary resources are prepared from the same records.

As you read these statements, please keep in mind that they are for a component of the U.S. government.

Forward-looking analysis

In FY 2020, we have focused on three main priorities: monitoring credit risk; improving service to young, beginning, and small (YBS) farmers and ranchers; and improving the timeliness and efficiency of our regulatory activities. These continue to be our priorities during the fall of 2020, so we can ensure the Farm Credit System is safe and sound.

To keep our staff, as well as the staff at System institutions, safe during the COVID-19 pandemic we shifted to conducting most of our examination activities remotely this year and will continue to do so in the coming year until public health conditions improve. Besides monitoring the effects of COVID-19 on the farm economy and farm lenders, we will continue to closely monitor the effects that wildfires, storms, drought, low commodity prices, and other challenges are having on credit quality.

We have worked with System institutions both to improve the quality of current reporting on YBS data and to enhance reporting on YBS lending for the future. We are working to make the collection of YBS data more automated and consistent. The past year's progress in improving data quality will support our other two YBS goals — to share best practices across the System and to evaluate the growth and performance of YBS programs over the long term. In addition, we recently began working with USDA's Farm Service Agency to find specific ways for agricultural lenders to better leverage USDA resources for YBS producers.

We're pleased to report significant progress in the timeliness and efficiency of our regulatory activities in recent months despite the regulatory pause we had in place until July 10 to address COVID-19 concerns. Beginning in the summer of 2020, we resumed some of our regulatory activities and issued four final rules (on swap margins, amortization, investment eligibility, and financial reporting) and a proposed rule on the capital framework. We are continuing the regulatory pause for the final rule on outside directors until the end of the calendar year to allow more time to consider recently received comments. For 2021, we will continue work on a variety of regulations, including regulations involving governance and capital issues consistent with the Unified Agenda of Regulatory and Deregulatory Actions published by the Office of Management and Budget.

To help the System manage the challenges associated with COVID-19, we issued an informational memorandum in April 2020, followed by half a dozen supplements. We acted decisively and quickly to provide extensive guidance to the System regarding the Paycheck Protection Program, and we continue to monitor legislative action to extend relief to qualified borrowers. As the COVID-19 crisis evolves, we will provide additional informational memorandum supplements to guide System institutions, as appropriate.

FCA has also been a leader among federal financial regulators in providing guidance to lenders on financing hemp production. In February 2020, we issued an informational memorandum that outlined several factors institutions should consider when extending loans to hemp producers and processors. We will continue to monitor the hemp industry and provide guidance to System institutions in FY 2021.

Analysis of FCA's Systems, Controls, and Legal Compliance

Strategy for FCA's financial management system

We partner with the Department of the Treasury's Bureau of the Fiscal Service to provide FCA with several financial management services. This shared-services approach helps us maximize efficiency while maintaining a high standard of financial management and accountability.

This partnership gives us access to core financial systems without our having to maintain the necessary technical and systems architectures. Our partnership with the Fiscal Service has also improved our data reliability, which is a requirement of Office of Management and Budget (OMB) M-15-12, Increasing Transparency of Federal Spending by Making Federal Spending Data Accessible, Searchable, and Reliable.

Through our partnership with the Fiscal Service, we use Oracle Federal Financials as our financial system of record. Oracle Federal Financials is a commercial, off-the-shelf software package, which is certified under the Joint Financial Management Improvement Program to meet federal government accounting requirements. This web-based software integrates our key activities, such as e-payroll, e-travel, purchase card activity, and federal investments.

Although we perform all procurement activities in-house, we partner with the Fiscal Service for procurement system services and support. The procurement system is fully integrated with Oracle Federal Financials. This integration enables us to check our funds in real time and to commit and obligate funds as transactions are approved.

By working with the Fiscal Service, we comply with the OMB Financial Management Line of Business initiative, which encourages agencies to improve the cost, quality, and performance of financial management systems by using shared services. The partnership also helps us address the President's Management Agenda cross-agency priority goal for sharing quality services.

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act (FMFIA) requires federal agencies to establish and maintain a system of internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.

The management control objectives under the FMFIA are to reasonably ensure the following:

- Obligations and costs comply with applicable laws.
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriations.
- Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

Agencies must evaluate and report on the effectiveness of their internal controls and assess whether their financial management systems comply with requirements outlined in section 4 of the FMFIA.

Through our financial management system strategy, management control program, and compliance with applicable laws and regulations, we ensure our compliance with the FMFIA.

Management control program

We have established management controls to meet the objectives of section 2 and section 4 of the FMFIA. Our system of internal control conforms with the Government Accountability Office's Standards for Internal Control in the Federal Government (Green Book).

Our internal controls are designed to provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of financial statements and that assets are safeguarded.

Our program offices are responsible for implementing and maintaining effective risk-management practices and internal controls to ensure (1) alignment of strategic goals with the agency's mission, (2) effective and efficient operations, (3) reliable reporting, and (4) compliance with applicable laws and regulations.

We conduct risk-based internal control assessments in accordance with OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, and all applicable appendices. Based on the results of the assessments, we have reasonable assurance that controls over operations, reporting, and compliance with laws and regulations are designed and operating effectively.

In addition, our independent financial statement auditor reported that we maintained effective internal control over financial reporting and compliance with applicable laws and regulations. The auditor did not report any material weaknesses or significant deficiencies.

Prompt Payment Act

We follow the Prompt Payment Act guidelines, which call for vendors generally to be paid 30 days after receipt of a valid invoice for goods and services ordered and delivered.

During FY 2020, we paid on time 99.9% of the 2,448 invoices subject to the Prompt Payment Act. Payments are made by electronic funds transfer through the Secure Payment System.

Debt Collection Improvement Act

The Debt Collection Improvement Act of 1996 prescribes standards for carrying out federal agency collection actions and for referring an agency's uncollectible debts to the proper federal agency for collection and litigation. The act has no material effect on us because we operate with virtually no delinquent debt.

This act was amended by the Digital Accountability and Transparency Act of 2014 (DATA Act) to require that debts outstanding for more than 120 days be transferred to the Treasury Department for collection under the Treasury Offset Program. We currently have one debt being serviced by the Treasury Department.

Improper payments

The Payment Integrity Information Act of 2019, issued on March 2, 2020, requires executive branch agencies to identify programs and activities that may be susceptible to significant improper payments, conduct risk assessments to determine risk factors that are likely to contribute to a susceptibility to significant improper payments, estimate annual improper payment amounts in the susceptible program(s), and report on actions to recover improper payments.

Additional information on our improper payment activities are reported under "Payment Integrity Information Act Reporting" in the "Other Information" section of this report.

Digital Accountability and Transparency Act

The DATA Act was enacted to increase accountability and transparency in federal spending and expand the requirements of the Federal Funding Accountability and Transparency Act of 2006. Since our agency does not receive federal tax dollars, OMB has determined that FCA is not subject to the reporting requirements of the DATA Act.

Inspector General Act

The Inspector General Act of 1978, as amended, requires inspectors general to report semiannually to their agency heads and to Congress. The semiannual reports prepared by FCA's Office of Inspector

General (OIG) describe its audits, inspections, evaluations, investigations, and other oversight activities.

The FCA OIG posts all audit, inspection, and evaluation reports on its website within three days of final submission to the FCA board. These reports are also posted on Oversight.gov, which contains OIG reports from across the federal government.

Below is a summary of the recommendations in these reports, as well as our progress in taking corrective action.

Summary of OIG audit, inspection, and evaluation activities

The OIG issued 4 audit, inspection, or evaluation reports during FY 2020, resulting in 14 new recommendations. At the beginning of this fiscal year, 11 recommendations remained open from prior years. Over the course of FY 2020, 16 of those 25 recommendations were closed. As of Sept. 30, 9 remained open (including 4 from a prior fiscal year.) The reports are available on the FCA OIG's website at www.fca.gov/about/inspector-general-plans-and-reports.

- Oct. 30, 2019: The OIG issued a report on the evaluation of the agency's compliance with the Federal Information Security Modernization Act for FY 2019. The report contained two recommendations.
- Nov. 13, 2019: The OIG issued a report on the audit of FCA's financial statements and other reporting required by Government Auditing Standards for FY 2019. The audit produced no recommendations.
- March 12, 2020: The OIG issued the audit report, Farm Credit Administration's Criminal Referral Process. The audit resulted in seven recommendations.
- July 29, 2020: The OIG issued the inspection report, FCA's Implementation Efforts for the 2017 – 2018 Fairness and Inclusiveness Assessment. The inspection resulted in five recommendations.

Summary of OIG recommendations

Open recommendations as of Oct. 1, 2019	11
New recommendations during FY 2020	14
Recommendations closed during FY 2020	16
Open recommendations as of Sept. 30, 2020	9
Recommendations open more than one year	4

OIG survey of FCS institutions regarding the agency's examination function

The OIG normally conducts a quarterly survey of FCS institutions on our examination function and examiners. The OIG issues semiannual reports and a fiscal year summary report to the FCA chief examiner and the FCA board.

Because of COVID-19, the Farm Credit Administration has reduced examination activity. The OIG decided to pause the quarterly survey process in April 2020 given that FCS institutions are working under unusual circumstances caused by the pandemic. We notified the chief executive officers of all FCS institutions that the OIG remains available to confidentially discuss issues or concerns they may have with an FCA examination.

FCA's compliance with improper payments reporting requirements for FY 2019

The OIG determined that FCA complied with improper payment reporting requirements applicable to the agency for FY 2019. In accordance with the Improper Payments Information Act of 2002, as amended, and implementing guidance, the OIG issued the conclusions to the FCA board and required oversight bodies on May 15, 2020.

Statement of Assurance

The Farm Credit Administration's management is responsible for managing risks and maintaining effective internal control and financial management systems that meet the objectives of sections 2 and 4 of the Federal Managers' Financial Integrity Act (FMFIA).

FCA has considered risk management practices in the design of internal controls and in the assessment of their effectiveness. We conducted our assessment of risk and internal controls in accordance with OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Based on the results of this assessment, we can provide reasonable assurance that the internal controls over financial reporting and operational and compliance objectives were operating effectively as of Sept. 30, 2020. No material weaknesses were found in the design or operation of the internal controls.

As part of our evaluation process, we considered the results of extensive testing and assessment across the organization, as well as independent audits, to provide our unmodified statement of assurance.

Glen R. Smith
Chairman and Chief Executive Officer
FARM CREDIT ADMINISTRATION

September 30, 2020

Program Performance

This section discusses FCA's performance in achieving the goals and strategic objectives identified in the agency's Strategic Plan for Fiscal Years 2018 – 2023. This section also details the actions we are taking to achieve our goals and the targets we are using to measure our success.

We use the June 30 end date for reporting on operational performance measures because the information statements for the fourth quarter arrive after the November submission deadline for this report. However, for Goal 3 — Performance measures and results for workforce management — we report the results for the federal fiscal year, as of Sept. 30, 2020.

FCA Performance Report

FCA's mission is to ensure that System institutions and 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 fulfill our mission by (1) issuing regulations and implementing public policy and (2) identifying risk and taking corrective action. The FCA board has adopted three strategic goals:

- Ensure that the FCS and Farmer Mac fulfill their public missions for agriculture and rural areas.
- Evaluate risk and provide timely and proactive oversight to ensure the safety and soundness of the System and Farmer Mac.
- Cultivate an environment that fosters a well-trained, motivated, and diverse staff while providing an effective plan for leadership succession.

Our Strategic Plan for Fiscal Years 2018 – 2023 contains a desired outcome for each goal, as well as 19 strategies we are using to meet these goals. In addition, we have 14 performance measures with associated targets to measure our success in meeting our goals.

The strategic plan addresses the changing environment facing agriculture: commodity and input price volatility; sustainability, environmental, food safety, and animal welfare issues; fluctuating interest rates and land values; diversity; and pressure to reduce subsidies and support payments in the 2018 Farm Bill.

The plan focuses on helping the agency operate effectively and efficiently; minimizing costs for FCS borrowers and Farmer Mac customers; and helping ensure a safe, sound, and dependable source of credit and financially related services for agriculture and rural America.

Data validation and verification

FCA ensures the completeness, reliability, and quality of all reported information included in this report through validation of performance data and other information contained in this section. These efforts primarily entail regular internal agency processes for ensuring accurate data generation, entry, and reporting; data integrity; and independent peer review.

FCA's data validation and verification include the following:

- Use of applied measurement techniques to identify sources, validate data, and generate meaningful information
- Identification and implementation of authoritative sources, calculations, and standards
- Use of automated data collection systems and reporting whenever available
- Use of automated data checking procedures in addition to manual verification
- Analysis of data and identification of possible discrepancies for resolution
- Implementation of controls such as restricting permissible values, flagging outliers for review, and doing visual checks of results in development stages of dashboards and reports before deployment
- Reviews by data owners and data users
- Consolidation and deployment of enterprise tools for standardized reporting
- Independent quality assurance reviews before reports are issued
- Review and discussion of performance results with the executive leadership team

Goals

As our performance results show, we succeeded in meeting the three strategic goals described below. Summary tables that follow the goals outline our performance measures and results. Each goal reflects our mission of ensuring that Farm Credit System institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America. The performance measures and targets were established in the FCA Strategic Plan Fiscal Years 2018 – 2023.

Goal 1 — Ensure that the FCS and Farmer Mac fulfill their public missions for agriculture and rural areas.

In our Strategic Plan for Fiscal Years 2018 – 2023, we established this goal to meet the credit and related financial service needs of agricultural producers as the agricultural industry changes. Agricultural production and processing methods are evolving and becoming more integrated. The demographics of farmers and agricultural producers are gradually changing. The varieties and types of food and fiber production continue to grow. Trends, such as heightened demand for locally grown and specialty foods, and the growth in urban agriculture, are creating additional options for persons interested in becoming farmers, ranchers, and agricultural suppliers and distributors.

The purpose of goal 1 is to maximize the ability of the FCS and Farmer Mac to fulfill their purposes and meet their public missions as defined by Congress in the Farm Credit Act of 1971, as amended. We established nine strategies to accomplish this goal, and we defined six performance measures to evaluate our progress and success.

Goal 1, Strategy 1: Ensure that the capital rules for the FCS and Farmer Mac are consistent with standards for the financial service industry and preserve their financial strength and stability so they can meet the credit needs of eligible borrowers.

The FCA board adopted a final rule in March 2016 that revised our capital rules for FCS banks and associations and provides clearly defined capital standards that are both consistent with Basel III and appropriate for the farmer-owned cooperative Farm Credit System. (A 2009 international regulatory accord, Basel III introduced a set of reforms to mitigate risk in the international banking sector.)

In FY 2017, we updated our Financial Institution Rating System benchmarks for capital and our examination guidance and examiner training to ensure that FCS institutions implement the capital rules properly. We also issued an informational memorandum to the System titled "Implementation of the Tier 1/Tier 2 Capital Framework." (Tier 1 and tier 2 are categories of capital that banks are required to hold. Tier 1 is considered higher quality because of its stability and availability to absorb losses compared with tier 2 capital.)

In FY 2016, we issued the capital planning rule requiring an annual assessment of Farmer Mac's capital plan, including capital adequacy modeling and stress testing methodologies.

In FY 2019, we issued guidance on Farmer Mac's interest rate risk management. The guidance makes clear the board of directors' ultimate responsibility for governance of interest rate risk and management's role in the design and execution of measurement systems for interest rate risk.

Goal 1, Strategy 2: Within the framework of the Farm Credit Act, develop and update policies and regulations as appropriate so that the System, including Farmer Mac, can continue to effectively serve its members as conditions in agriculture and rural America change.

The following actions are examples of ways we have used this strategy in FY 2020:

- Issued guidance to the System about its role in ensuring critical infrastructure services and functions during the coronavirus disease (COVID-19) pandemic
- Issued guidance to the System on managing challenges associated with the COVID-19 pandemic
- Issued guidance to the System on the Paycheck Protection Program

- Issued guidance to Farmer Mac on working with its lending and servicing partners to provide flexibility and assistance to borrowers experiencing financial challenges due to the COVID-19 pandemic
- Issued guidance to Farmer Mac on working with its lending and servicing partners on the reporting of troubled debt restructuring, borrower rights, and nonaccrual determinations for borrowers affected by COVID-19
- Approved a final rule governing the criteria for reinstating nonaccrual loans
- Approved a final rule governing eligibility criteria for outside directors
- Approved a proposed rule and subsequent final rule governing the margin and capital requirements for regulations for covered swap entities
- Issued an interim final rule to give covered swap entities an additional year to implement initial margin requirements because of the COVID-19 pandemic
- Issued a proposed rule governing the tier 1/tier 2 capital framework
- Issued a proposed rule governing the amortization limits on certain loans
- Issued a proposed rule governing district financial reporting
- Issued a proposed rule governing the eligibility of investments made by the System's associations
- Issued a proposed rule governing the implementation of the methodology for current expected credit losses for allowances
- Issued a notice and request for comment on interagency questions and answers on flood insurance
- Continued to study the loan syndication market
- Issued guidance to the System on assessing whether financing hemp fits into their lending strategies
- Issued guidance to System institutions affected by unusual and significant weather events, which covers the impact of these events on servicing distressed loans

As part of every rulemaking project, we consider ways to reduce the burden of existing rules and to minimize the regulatory burden of the rule being proposed. Also, we regularly solicit public comments on regulations that are unnecessary, unduly burdensome, or not based on law; our most recent solicitation was in May 2017.

We routinely provide guidance to System institutions to protect their safety and soundness and to help them manage risk. This guidance facilitates the flow of funds to agriculture and rural areas by providing System institutions with sound practices to follow in developing and implementing lending programs. We also provide guidance related to internal controls and information technology. Ultimately, our guidance helps institutions manage loan and funding programs more efficiently.

Farmer Mac continues to enhance its relationships with its loan sellers, servicers, and other business partners by holding informational forums, providing updates to its formal servicing guidelines, and performing internal credit reviews. And our Office of Secondary Market Oversight evaluates Farmer Mac's efforts to enhance these relationships.

We support advances in Farmer Mac's product offerings within the bounds of safety and soundness and the provisions of the Farm Credit Act. Our communication, examination reports, and off-site monitoring of Farmer Mac provide timely guidance to management on the possible risks associated with new products and policies. Over the reporting period, we provided Farmer Mac with guidance on regulatory compliance issues, policy direction, and questions regarding new products and services.

In addition, we continue to advance regulatory rulemaking projects on topics related to capital and margin, and liquidity reserve requirements. We are also working to enhance our data management and collection and to update other areas of supervisory guidance.

Goal 1, Strategy 3: Emphasize the public purpose and mission-related responsibilities of the agricultural government-sponsored enterprises (GSEs) to serve all of agriculture and rural America. This includes innovative programs for serving the credit and related service needs of young, beginning, and small (YBS) farmers, ranchers, and producers and harvesters of aquatic products.

FCA examiners evaluate the operating and strategic plans and the credit delivery programs of System institutions. We also evaluate System outreach efforts and best practices for serving the credit and related service needs of all creditworthy, eligible customers.

In addition, our examiners evaluate each institution's YBS farmer and rancher program relative to the demographics of its chartered territory. These evaluations help examiners identify trends in lending to YBS farmers and ranchers and assess the System's efforts to provide financial and business management assistance and outreach to YBS farmers and ranchers.

When evaluating YBS programs, we continue to assess the extent to which FCS institutions use loan guarantee programs. We encourage System institutions to work with federal and state agencies that offer such programs. For example, we encourage institutions to meet the requirements to qualify for the USDA Farm Service Agency's "preferred lender" status.

Not only can loan guarantees help institutions manage risk, they also help borrowers obtain the funding they need. We encourage System institutions to use loan guarantees to make loans to YBS borrowers with limited financial capacity and to existing borrowers with temporary financial difficulties.

We validate compliance with YBS laws and regulations through our risk-based oversight and examination processes. All the YBS programs we evaluated during the reporting period were in compliance with YBS regulations. Each year, we survey FCS associations regarding their YBS programs. With the information received, we prepare a YBS annual report that we publish in our Annual Report on the Farm Credit System.

FCA regulations require each direct-lender System institution to include in its operating and strategic business plan a marketing plan with strategies for providing the institution's products and services to all creditworthy and eligible persons. With one exception, all FCS institutions had adequate marketing plans to provide products and services to all creditworthy and eligible persons. The one institution without an adequate marketing plan was evaluating various strategic options.

In addition, each institution must report annually to its board of directors on the progress it has made in this area. We review these reports and evaluate the System's progress in meeting this requirement. As part of our examination activities, we also review institution annual reports and encourage institutions to include a discussion of how they are meeting their mission.

We evaluate the extent to which Farmer Mac has accomplished its mission as well. Farmer Mac's customer base includes financial institutions and other lenders that seek a secondary market for their agricultural, rural housing, and rural utility cooperative loans. We evaluate Farmer Mac's performance in reaching out to all potential customers and in creating easy access to its services.

Farmer Mac submits an annual mission report to FCA. This report includes data on Farmer Mac's participation in federal guarantee programs, the geographic distribution of Farmer Mac's program business, the proportion of fixed- versus variable-rate loan volume, and activity related to rural utilities. In addition, the report highlights activity related to small and family farms, which Farmer Mac is required by statute to promote and encourage. These reporting requirements encourage Farmer Mac's business development staff to focus on the credit needs of small and family farms when working with its lender customers.

Goal 1, Strategy 4: Encourage the System to provide products and services to all creditworthy and eligible potential borrowers and to promote outreach to enhance diversity and inclusion.

Our examinations assess the System's efforts to provide financial or business management assistance and outreach to all creditworthy, eligible customers, including YBS farmers and ranchers. The System continues to implement programs to meet the needs of YBS producers and other borrowers.

The business plan of each direct-lender institution must include strategies and actions to market the institution's products and services to all eligible and creditworthy persons, with specific outreach toward diversity and inclusion within each market segment. We evaluate the System's progress in meeting this requirement. We have updated our examination guidance and communications with the System to clearly convey our minimum expectations regarding business plans, including our expectations regarding diversity and inclusion requirements.

In addition, we review borrower inquiries and complaints about the lending process and investigate any allegations of discrimination. During the reporting period from July 1, 2019, through June 30, 2020, we responded to 33 borrower inquiries. Our investigations did not discover any pattern or practice of deliberate discrimination or an unwillingness of FCS institutions to serve eligible customers within their chartered territories. We also found that System institutions continued to comply with equal credit opportunity and equal housing laws. However, our examinations did identify three institutions with weaknesses in complying with federal lending and borrower rights regulations. In all three cases, we are in the process of verifying the appropriateness of corrective actions taken by institution management to address the weaknesses.

We are also concerned about the needs of farmers with disabilities and farmer veterans. In previous years, we have held presentations on these topics to raise awareness among our staff about the challenges these individuals face. In 2016, members of our staff met with the USDA undersecretary to discuss ways to better meet the credit needs of farmer veterans.

To ensure that Farmer Mac meets its responsibility to promote and encourage the inclusion of small and family farms in its programs, we have developed certain reporting requirements. We also provide Farmer Mac with feedback on various issues, including loan eligibility on prospective new lines of business.

Farmer Mac continues to work to make its programs accessible to all market participants, including those involved in rural utilities and federal agricultural loan guarantee programs. It seeks to ensure equitable treatment of all potential borrowers and the lenders that serve them.

During examinations, we review loans purchased and guaranteed by Farmer Mac to ensure that their underwriting, loan-approval standards, and servicing are appropriate and consistent with established guidance. Further, Farmer Mac's annual mission report includes a section covering its financing of small and family farmers and rural utility cooperatives.

FCA Bookletter (BL-066) "Providing Credit to Farmers and Ranchers Operating in Local/Regional Food Systems" encourages System associations to meet the credit and related service needs of farmers who market their agricultural products through local and regional food systems. It explains that System associations have authority to finance local-food farmers and certain farm-related businesses under existing statutes and regulations and under prior FCA guidance. The bookletter also provides guidance on how the regulations on System strategic business planning and senior officer compensation apply to financing local-food farmers (including those operating in urban areas).

Goal 1, Strategy 5: Encourage diversity on the boards and in the workforce of System institutions.

Our oversight and examination programs include risk-based evaluation of each institution's human capital planning, director elections, and nominating committees. Examination guidance and procedures consider any significant changes in bylaws, policies, control systems, staffing, board membership, board involvement, election processes, or issues related to standards of conduct. As part of our review of the nominating committee's processes and practices, we evaluate the committee's outreach efforts to expand diversity on the board. In 2018 we updated examination guidance on this topic.

As part of the review of human capital management, we may evaluate conditions such as staff turnover levels or changes in key personnel (actual or upcoming), depth of management, changes in compensation and benefit programs or levels, involvement of the compensation committee, and extent of operational weaknesses cited in audit, review, and examination reports that could be connected to human capital issues.

Goal 1, Strategy 6: Consistent with the Farm Credit Act, enable the agricultural GSEs to structure themselves to best serve their members and rural America.

FCA analyzes and approves periodic requests by institutions to restructure or offer new programs designed to better serve their customers.

During the year, FCA approved the merger of subsidiaries for an association affiliated with CoBank, ACB, and the creation of a service corporation in the AgriBank district.

At fiscal year-end 2020, the System had 68 associations (67 agricultural credit associations and 1 federal land credit association).

Goal 1, Strategy 7: Encourage System institutions to be conscious of the reputation risk associated with their lending and investments decisions.

We issue guidance on business planning, capital management, portfolio risk management, debt issuance, secondary liquidity sources, and related topics. We also work with FCS-wide committees and groups to discuss challenges, opportunities, and best practices in these areas. Further, we assess System institutions' use of programs undertaken jointly with other financial service providers. Through our supervisory and enforcement activities, we require institutions to develop plans to address any potential reputation risks associated with their lending and investment decisions.

Goal 1, Strategy 8: Promote public trust in FCA's regulatory framework for the System and Farmer Mac by developing policy guidance that supports mission achievement, financial stability, and transparency.

We promote public trust and investor confidence by helping ensure that the System and Farmer Mac meet their missions to serve agriculture and rural America. See strategies 2 and 3 for a discussion of some of the ways we have helped them achieve their missions.

We provide guidance to System institutions to help them better understand their lending authorities and, therefore, to more appropriately market their products and services to prospective eligible customers. We also publish our semiannual Regulatory Projects Plan on our website to notify the public of upcoming regulatory actions so that the public may participate in the regulatory process. Our e-government program allows the public to make comments in electronic format and to review comments from others on our website.

We further support public trust and investor confidence by reviewing borrower inquiries and complaints about the loan-granting process and by investigating any allegations of discrimination. See strategy 4 above for more information about borrower inquiries and complaints.

Farmer Mac, too, has increased its focus on its public mission. Its year-end annual report and Form 10-K filing now include numerous references to its public mission, including a discussion of how pursuing its mission may contribute to lower returns to stockholders. Farmer Mac actively oversees its sellers/servicers, ensuring that loans sold into the secondary market meet its underwriting standards and that processes are in place to detect fraud and operational errors.

The guidance we have provided has had a positive impact on Farmer Mac's public disclosures related to its mission, and we will continue to encourage Farmer Mac to regularly disclose its mission accomplishments.

In addition, the FCA board adopted the policy statement titled "Oversight of the Federal Agricultural Mortgage Corporation" in FY 2020 to document the strategy and direction for the agency's oversight of Farmer Mac.

Goal 1, Strategy 9: Encourage full participation of stakeholders in the development and review of regulatory and policy proposals as appropriate.

We encourage stakeholders to provide input on regulatory proposals before we issue rules. We publish our semiannual Regulatory Projects Plan on our website to notify the public of upcoming regulatory actions. In addition, our e-government program allows the public to make comments in electronic format and to review comments from others on our website.

Where practicable, we solicit input from stakeholders before we publish rules for comment. In some cases, we use advance notices of proposed rulemaking to obtain input. In almost all cases, we publish our proposed rules with comment periods of at least 60 days. For regulatory proposals that relate to the System's GSE mission, we also reach out to nontraditional commenters for their input.

Goal 2 — Evaluate risk and provide timely and proactive oversight to ensure the safety and soundness of the System and Farmer Mac.

In our Strategic Plan for Fiscal Years 2018 – 2023, we included this goal to ensure that FCA, the System, and Farmer Mac can manage data to operate effectively. As the System continues to consolidate and institutions become larger and more sophisticated, our ability to effectively examine and monitor risk becomes even more critical.

To accomplish goal 2, we examine and supervise each System institution and Farmer Mac. We have six strategies to accomplish this goal and six performance measures to evaluate our success.

Goal 2, Strategy 1: Seek early FCA board input on policy and regulatory issues. Ensure that the board has timely and comprehensive information to be fully informed and able to respond appropriately.

The FCA board provides early input on regulatory and policy projects. For regulatory projects, the board provides input before and during the development and approval of the semiannual Regulatory Projects Plan, which outlines our regulatory agenda. For policy projects, the board also provides early input; a policy project may produce a guidance document, or it may eventually become a regulatory project.

After we've started a regulatory or policy project, board involvement continues to be crucial. We obtain board input regarding the initial issues paper, and we provide board briefings and monthly progress reports throughout the project.

The Office of Examination and the Office of Secondary Market Oversight report important issues at least monthly or as needed to the FCA board, and they deliver reports to the board each quarter on the condition of the System and Farmer Mac.

Goal 2, Strategy 2: Maintain strong and frequent two-way communication with stakeholders on issues of risk and safety and soundness.

FCA management and staff participate regularly in FCS meetings and conferences to answer questions related to regulatory and FCS operational issues. We also use these opportunities to reinforce our expectations regarding these issues and to discuss new regulatory direction. FCA staff members also participate in agencywide workgroups and FCS-wide committees and groups to discuss challenges, opportunities, and best practices.

Our approach to oversight and examination involves meeting with institution boards and audit committees on risk issues, interim examination activities, and corrective actions. Through direct interaction with System institutions, we hear about emerging issues and acquire a systemic view of issues warranting regulatory attention. Our oversight and examination approach also involves timely written communication through interim activity letters and examination reports. We also regularly communicate with FCS management on upcoming examination practices that may affect their institutions.

Annually, we issue an informational memorandum on our National Oversight Plan in which we identify risk topics that we will emphasize in our examination and oversight of System institutions. Likewise, we issue an annual informational memorandum to Farmer Mac identifying the focus areas of the current examination cycle. These informational memorandums provide perspective on our concerns and priorities. When needed, we use the supervisory and enforcement process to require institutions to take certain action. In addition, we review borrower inquiries and complaints about the lending process and investigate any allegations.

Goal 2, Strategy 3: Continue proactive oversight of institution-specific and systemic risks.

We proactively identify and evaluate emerging issues that create Systemwide risk and allocate oversight and examination resources based on that risk in accordance with board policy statement 53. FCA continues to prioritize oversight activities according to risk, and we develop individualized oversight and examination plans for each institution. A key element to this approach is the national oversight planning process, which guides our efforts to ensure the safety and soundness of the System. We manage and update this process on a regular basis. We strive to provide timely guidance related to how examinations are conducted and emerging risks.

Through examinations, we routinely evaluate the operations and risk management practices of System institutions, and we share our conclusions and recommendations with System boards of directors. We determine whether FCS institutions have internal control systems and processes to manage their operations and loan portfolios, and whether direct-lender institutions maintain systems that allow them to properly assess the loans and risk exposures in their portfolios. With one exception, all institutions had adequate internal control programs or adequate corrective actions in place in FY 2020. In the case of the exception, the institution's corrective action plan did not adequately address a weakness. We have continued to follow up with the institution.

Overall, we have found that FCS institutions have adequate lending systems in place and that they continue to enhance these systems. The FCS uses a two-dimensional risk rating system, consisting of a 14-point scale to measure each borrower's probability of default and a set of ratings to measure the borrower's loss given default. The FCS enhances this system through periodic refinements, and we closely evaluate those refinements. The System also performs database querying and stress testing. We consider the following elements when we examine loan portfolios:

- Management of risk concentrations
- Loan underwriting
- Collateral risk management
- Portfolio planning and analysis
- Credit administration
- Risk identification

Goal 2, Strategy 4: Effectively remediate weakened institutions.

We use a risk-based supervisory and enforcement program to respond differentially to the risks and particular oversight needs of FCS institutions. If we discover unacceptable risks, we take action to ensure that the identified risks are mitigated appropriately. Corrective actions include reducing risk exposures; increasing capital and enhancing earnings, which improve an institution's ability to bear risk; and strengthening risk management.

We use a three-tiered supervision program: normal supervision, special supervision, and enforcement actions. Institutions under normal supervision are performing in a safe and sound manner and operating in compliance with applicable laws and regulations. These institutions are able to correct identified weaknesses in the normal course of business.

For those institutions displaying more serious or protracted weaknesses, we shift from normal to special supervision, and our examination oversight increases accordingly. Under special supervision, we give an institution clear and firm regulatory guidance to address weaknesses, and we allow the institution time to correct the problems.

If informal supervisory approaches have not been or are not likely to be successful, we use our formal enforcement authorities. We may take an enforcement action for several reasons:

- A situation threatens an institution's financial stability.
- An institution has a safety and soundness problem or has violated a law or regulation.
- An institution's board is unable or unwilling to correct problems we have identified.
- Our enforcement authorities include the following powers:
- To enter into formal agreements
- To issue cease-and-desist orders
- To levy civil money penalties
- To suspend or remove officers, directors, and other persons

If we take an enforcement action, the FCS institution must operate under the requirements of the action and report back to our agency on its progress in fulfilling the requirements. Our examiners oversee the institution's performance to ensure compliance with the enforcement action. As of June 30, 2020, there were no formal enforcement actions in place.

Goal 2, Strategy 5: Ensure that technology, information management, and cybersecurity awareness are priorities at FCA and in the FCS.

Through the FCS Loan Database Project, we built an enterprise system for the dependable collection and storage of data for examination activities and systemic risk analysis. The loan database provides a robust dataset for analyzing institution loan portfolios and facilitating the loan review activities of the Office of Examination. It also supports Systemwide risk analysis.

We previously established uniform instructions for the timely and reliable reporting of accounts. We also worked with the System to improve data quality, systems, and analysis capabilities. This improvement effort included adding the ability to identify shared assets and systemically significant customers by incorporating into the dataset both the System shared-asset and customer numbers and the attribution data on the largest System customers.

We deployed an agency-level data mart/data cube environment, which is a centralized data warehouse for transactional and indicative data provided by each financial institution in the Farm Credit System.

In 2020, we continued to improve our examination processes by using technology more effectively:

- We implemented new business intelligence tools and analysis applications for examiners to leverage the agency's various information sources, including the data mart, for analytical purposes.
- We continued enhancements to the EDGe Loan Workpaper, a web-based application that accesses the FCS Loans2 database.
- We continued improvements to the FCS Loan Database.
- We continued developing and integrating new management reports and examination tools as part of the EDGe project.
- We continued improving connectivity to System institutions through videoconferencing, teleconferencing, and electronic access to loan files.

We continually evaluate whether institutions are maintaining systems to analyze their portfolio risk and borrower profiles. We review their processes and tools for analyzing sensitivity and stress. In December 2018, we issued a System memorandum on cybersecurity risks titled "Use of Personal Email and Cybersecurity Concerns."

Goal 2, Strategy 6: Ensure that strong governance, standards of conduct, and ethical behavior are part of the organizational culture of the FCS.

We evaluate the compliance of System institutions with governance regulations and their adherence to cooperative principles. We evaluate each institution's standards of conduct, ethics, and organizational culture. We share our conclusions and recommendations with System boards of directors. As discussed under goal 2, strategy 4, we use a three-tiered supervision program to ensure that institutions take appropriate measures to mitigate any risks our examiners identify.

In May 2018, we issued a proposed rule that would require FCS institutions to develop a standards of conduct program based on certain core principles. It would also require each institution to adopt a code of ethics and to develop strategies and a system of internal controls to promote institutional and individual accountability for ethical conduct. We are in the process of developing a final rule.

Goal 3 — Cultivate an environment that fosters a well-trained, motivated, and diverse staff while providing an effective plan for leadership succession.

In our Strategic Plan for Fiscal Years 2018 – 2023, we established this goal so that we can be an effective organization with the right number of people with the right skills, experiences, and competencies. The purpose of goal 3 is to ensure that FCA maintains a workforce that can carry out its mission.

We have four strategies to accomplish goal 3 and two performance measures to evaluate our success. The data cited for this goal are for the federal fiscal year ended Sept. 30, 2020.

Goal 3, Strategy 1: Maintain a highly skilled and diverse workforce to meet FCA's current and future regulatory development, risk analysis, examination, and supervision needs.

Our success as an agency depends on our people and the effective use of technology. We will continue to invest in hiring, developing, and retaining a talented, diverse workforce and to provide employees with the tools and support they need to be effective. We strive to keep our work environment positive, innovative, diverse, and family friendly, and we encourage teamwork and high productivity.

We have emphasized diversity in our recruiting, training, policies and procedures, and management/employee performance standards. We have made good use of the Schedule A, Persons with Disabilities, hiring authority. As a result, the diversity of our workforce is growing. According to FCA's FY 2020 employment data, 20.2% of our workforce have disabilities (and serious health issues), and 4.6% of our workforce have targeted disabilities or conditions that can create significant barriers to employment. These results surpass the goal set in the Equal Employment Opportunity Commission's final rule, which directs federal agencies to aim for 12% of its workforce to be people with disabilities and 2% to be people with targeted disabilities.

By continually assessing human capital needs, we have established appropriate human capital requirements, and we have used our human capital assessments to develop, enhance, and redirect training and development programs. We have upgraded our information technology infrastructure to improve our ability to work; collaborate; gather information; and review, approve, and store work products. As a result, our workforce has become more effective and efficient as demonstrated by our exemplary performance during the pandemic.

To ensure we are able to continue to attract and retain a diverse, highly skilled workforce, we are doing the following:

Continuing to assess staffing needs, discontinuing functions no longer required, offering development options to those affected by the discontinuation of those functions, and identifying new staffing requirements

Fostering transparency and inclusiveness in the selection process, including plans to use selection panels and behavioral interviews

- Updating policies and procedures to foster consistency in approach and to leverage organizational best practices
- Enhancing the onboarding process
- Implementing a leadership readiness program to provide aspiring leaders the necessary skills and experiences to lead
- Expanding team-based developmental learning to build knowledge across offices and providing

experiential learning opportunities to broaden and deepen the expertise of staff

- Maximizing flexibility in the work-life balance, leveraging lessons learned from the agency's response to the pandemic
- Offering additional opportunities for staff to engage with senior leaders
- Administering periodic "pulse surveys" to assess staff perceptions on organizational initiatives in a timely fashion

Through our examiner commissioning program, we are building a diverse cadre of highly motivated examiners, ensuring they have the knowledge, skills, and talents necessary to accomplish the agency's mission. The program helps examiners develop their skills in FCA's primary areas of oversight — credit, finance, and operations, as well as examination management.

We also invest in the development of our commissioned examiners through human capital planning, examiner career development, and specialty programs. The specialty programs enable examiners to gain technical expertise and encourage them to pursue professional development and certification.

Goal 3, Strategy 2: Facilitate the development of the skills our workforce needs to evaluate FCS risk and provide timely and proactive oversight.

In 2020, FCA continued to devote significant resources to training new employees through our examiner commissioning program. In addition, we increased our focus on helping midcareer staff develop their skills. For example, we took the following measures:

- Trained examination staff in the technical and soft skills they need
- Provided opportunities for commissioned examiners to develop their careers further by completing specialist programs (for credit, finance, operations, and examination management) to ensure they have the expertise and credibility to carry out our mission
- Helped our examiners maintain their readiness to administer elevated supervision when necessary
- Ensured that all our examiners understand our risk supervision approaches and how to implement them

Goal 3, Strategy 3: Ensure adequate succession planning and knowledge transfer to ensure that future FCA leadership and staff possess the knowledge and skills required to be an effective arm's length regulator.

We have updated our examiner career development program to help us replace retiring managers and supervisors by developing the leadership, management, and supervisory skills of our examiners. Our strategy is to develop a pool of candidates who could become successful supervisors and managers, including director of the Office of Examination. We recognize that retirements also create opportunities for diversity and inclusion in management.

We use the following methods to develop our next group of program managers and leaders:

- Creating leadership positions for program and portfolio managers
- Providing selected candidates with formal leadership training, on-the-job training, and opportunities to participate in other projects
- Helping staff build skillsets by providing developmental assignments, such as serving as examiners-in-charge of complex institutions, completing special projects, and participating in Office of Examination specialist programs
- Providing internal rotational assignments between divisions in our Office of Examination
- Offering opportunities for Office of Examination employees to work in other FCA offices

To transfer knowledge from more tenured examiners to the new generation of examination staff, we use developmental initiatives. Our ongoing project to update the FCA Examination Manual also provides opportunities for knowledge transfer.

Goal 3, Strategy 4: Encourage a workplace culture that motivates staff to be engaged, embraces diversity in all its forms, and promotes strong ethical behavior.

According to the Federal Employee Viewpoint Survey, FCA's employee engagement index increased by one percentage point in 2019, from 78% to 79%. We do not have an employee engagement index for 2020 because the survey was not released by the Office of Personnel Management until Sept. 24, and the results will not be available until January 2021. Since 2017, FCA has been ranked by the Partnership for Public Service as one of the top five best places to work among small federal agencies. We promote engagement in various ways, such as providing training and development opportunities for employees to build their skills and advance their careers.

We also strengthen engagement by having an inclusive workplace. For example, our Special Emphasis Programs, such as the Federal Women's Program Committee, Blacks in Government, and HOLA-FCA (Hispanic Organization for Leadership and Advancement), sponsor regular presentations on issues affecting women and minority groups. And each year we have a Diversity Day on which we celebrate the diverse cultures represented in our workplace.

We also strive to increase workforce diversity. We target at least 25% of our recruiting efforts toward potential applicants who have a disability or who are members of a minority group. For example, during each recruiting season, we attend career fairs at historically Black colleges and universities and schools with a high rate of minority enrollment.

And as a financial banking regulator, we emphasize ethical conduct among all employees. In 2011, our board adopted a policy statement on ethics, independence, and our role as an arm's length regulator. This document states the following:

- The FCA board will continue to hold itself to the highest standards of ethical conduct in recognition that its commitment and adherence to the agency ethics program sets the standard for the commitment and conduct of agency staff.
- FCA board members and employees must remain mindful of their duty to make independent determinations on matters being considered by the agency.
- As the arm's length regulator of the Farm Credit System, FCA is committed to carrying out its work without any undue influence, favoritism, or special access.

Our ethics program performs the following functions:

- Oversees financial disclosure reporting (that is, the completion of public, confidential, and certification forms) of covered FCA and FCSIC employees
- Provides ethics counseling to FCA and FCSIC employees
- Provides ethics training to all covered FCA and FCSIC employees annually, as well as to new employees during orientation
- Provides a liaison to coordinate with other government agencies regarding ethics issues
- Helps develop regulations and policies related to ethics

Table 7a. Goal 1 — Performance measures and results for public mission

July 1, 2019, to June 30, 2020

Measure 1: Percentage of FCS institutions providing products and services that serve credit-worthy and eligible persons and perform outreach to enhance diversity and inclusion.

Results: Ninety-nine percent of FCS institutions had satisfactory operating and strategic plans for providing products and services to all creditworthy and eligible persons. One institution did not meet this standard because it had an inadequate marketing plan. We continued to follow up with the institution as it evaluated strategic options.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	Results vs. target
≥90%	100%	≥90%	100%	≥90%	100%	≥90%	100%	≥90%	99%	▲

Measure 2: Whether Farmer Mac's business plan contains strategies to promote and encourage the inclusion of all qualified loans, including loans to small farms and family farmers, in its secondary market programs, and whether its business activities further its mission to provide a source of long-term credit and liquidity for qualifying loans.

Results: Farmer Mac's business plan contains adequate strategies to promote and encourage the inclusion of all qualified loans, including small and family farm loans, in its secondary market programs. Its business activities further its mission to provide a source of long-term credit and liquidity. Farmer Mac submits an annual mission report to FCA, highlighting activity related to small and family farms. In addition, FCA draws conclusions on mission achievement in Farmer Mac's annual Report of Examination.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	Results vs. target
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	✔

Measure 3: Percentage of direct-lender institutions with satisfactory consumer and borrower rights compliance.

Results: Ninety-six percent of direct-lender institutions have satisfactory consumer and borrower rights compliance. Three institutions did not meet this standard because of weaknesses in compliance with federal lending and borrower rights regulations. In all three cases, we are verifying the appropriateness of corrective actions the institutions have taken to address the weaknesses.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	Results vs. target
≥90%	95%	≥90%	100%	≥90%	97.3%	≥90%	95%	≥90%	96%	▲

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: ≥ is greater than or equal to; N/A indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2020 target; ✔ indicates we achieved the FY 2020 target; ▼ indicates we did not meet the FY 2020 target.

Notes: In April 2018, the FCA board adopted the FCA Strategic Plan for FYs 2018 – 2023. The performance measures in the new plan remain substantially the same as the measures in the previous plan.

Measure 4: Percentage of direct-lender institutions with YBS programs that are in compliance with YBS regulations.

Results: All direct-lender institutions with YBS programs are in compliance with YBS regulations.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	Results vs. target
≥90%	100%	≥90%	100%	≥90%	100%	≥90%	100%	≥90%	100%	▲

Measure 5: Whether the majority of objectives listed in the preamble of each final rule were met on the two-year anniversary of the rule's effective or implementation date.

Results: There were two rules that met the reporting requirement. In both cases, a majority of the objectives listed in the preambles of the final rules were met on the two-year anniversary of the implementation dates.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	Results vs. target
N/A	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	✓

Measure 6: Percentage of pre–rulemaking projects and proposed rules on which FCA requested input from persons outside of FCA. (This measure considers all the pre-rulemaking projects and proposed rules that were listed as completed on FCA's Unified Agenda Abstracts for the reporting period.)

Results: There were six pre-rulemaking projects or proposed rules that met the reporting requirement; we did request input on these projects or rules from persons outside of FCA.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	Results vs. target
100%	N/A	100%	89%	100%	100%	100%	100%	100%	100%	✓

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: ≥ is greater than or equal to; N/A indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2020 target; ✓ indicates we achieved the FY 2020 target; ▼ indicates we did not meet the FY 2020 target.

Notes: In April 2018, the FCA board adopted the FCA Strategic Plan for FYs 2018 – 2023. The performance measures in the new plan remain substantially the same as the measures in the previous plan.

Table 7b. Goal 2 — Performance measures and results for safety and soundness

July 1, 2019, to June 30, 2020

Measure 1: Percentage of System assets in institutions with composite CAMELS[1] ratings of 1 or 2.

Results: Ninety-nine percent of System assets are in institutions with composite CAMELS ratings of 1 or 2.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	Results vs. target
≥90%	99.7%	≥90%	99.6%	≥90%	98.6%	≥90%	98%	≥90%	99%	▲

Measure 2: Percentage of requirements in supervisory agreements with which FCS institutions have at least substantially complied within 18 months of execution of the agreements.

Results: The agency does not have any supervisory agreements in place with FCS institutions.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	Results vs. target
≥80%	91%	≥80%	N/A	≥80%	N/A	≥80%	N/A	≥80%	N/A	N/A

Measure 3: Percentage of institutions complying with regulatory capital ratio requirements.

Results: All institutions complied with regulatory capital ratio requirements.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	Results vs. target
≥90%	100%	≥90%	100%	≥90%	100%	≥90%	100%	≥90%	100%	▲

Measure 4: Whether the Office of Secondary Market Oversight's examination and oversight plan and activities effectively identify emerging risks, and whether appropriate supervisory and corrective actions have been taken to effect change when needed.

Results: OSMO's examination and oversight plan effectively identifies risk. In addition, an annual informational memorandum identifies specific areas of emphasis during the examination cycle. We evaluate actions taken to address matters requiring attention (MRAs) on an ongoing basis and summarize progress in the Report of Examination. Supervisory actions taken strengthened operations, and efforts to address MRAs were satisfactory.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	Results vs. target
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	✓

1 CAMELS is a rating of capital, assets, management, earnings, liquidity, and sensitivity.

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: ≥ is greater than or equal to; N/A indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2020 target; ✓ indicates we achieved the FY 2020 target; ▼ indicates we did not meet the FY 2020 target.

Notes: In April 2018, the FCA board adopted the FCA Strategic Plan for FYs 2018 – 2023. The performance measures in the new plan remain substantially the same as the measures in the previous plan. Also, for the purposes of this table, "all institutions" is defined as System banks, associations, and the Farm Credit Leasing Services Corporation.

Measure 5: Percentage of institutions with satisfactory audit and review programs, including institutions with acceptable corrective action plans.

Results: All institutions but one had satisfactory audit and review programs, including institutions with acceptable corrective action plans. In the case of the exception, the institution's corrective action plan did not adequately address a weakness. We have continued to follow up with the institution.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	Results vs. target
100%	100%	100%	99%	100%	95.9%	100%	97%	100%	99%	▼

Measure 6: Whether five or more reports and dashboards were created that use data collected from the Farm Credit System to assess risk in the System.

Results: The agency exceeded this goal. Numerous tracking and analysis reports and dashboards related to mergers, shared assets, portfolios, and others were created to better spot trends and identify risks.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	Results vs. target
N/A[2]	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	✓

2 This measure was added to the strategic plan the following year.

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: ≥ is greater than or equal to; N/A indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2020 target; ✓ indicates we achieved the FY 2020 target; ▼ indicates we did not meet the FY 2020 target.

Notes: In April 2018, the FCA board adopted the FCA Strategic Plan for FYs 2018 – 2023. The performance measures in the new plan remain substantially the same as the measures in the previous plan. Also, for the purposes of this table, "all institutions" is defined as System banks, associations, and the Farm Credit Leasing Services Corporation.

Table 7c. Goal 3 — Performance measures and results for workforce management

Oct. 1, 2019, to Sept. 30, 2020

Measure 1: Whether, as part of its recruiting efforts for entry- level examiners, FCA has ensured that at least 25% of its outreach efforts target applicants with a disability or who are members of a minority group.

Results: At least 25% of our outreach efforts targeted potential applicants who have a disability or who are members of a minority group.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	Results vs. target
N/A[3]	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	✔

Measure 2: Whether we have maintained or improved our score from last year in the annual employee satisfaction survey.

Results: There are no results for fiscal year 2020 because OPM delayed the release of the Federal Employee Viewpoint Survey until Sept. 24. The results will not be available until January 2021.

2016 Target	2016 Results	2017 Target	2017 Results	2018 Target	2018 Results	2019 Target	2019 Results	2020 Target	2020 Results	Results vs. target
N/A[4]	N/A	≥72%	75%	Yes	Yes	Yes	Yes	N/A	N/A	N/A

3 This measure was added to the strategic plan the following year.

4 This measure was added to the strategic plan the following year.

The following defines the symbols and abbreviations used to describe targets in the Performance Measures and Results tables: ≥ is greater than or equal to; N/A indicates either that the measure is not applicable or that FCA's performance could not be measured; ▲ indicates we exceeded the FY 2020 target; ✔ indicates we achieved the FY 2020 target; ▼ indicates we did not meet the FY 2020 target.

Notes: In April 2018, the FCA board adopted the FCA Strategic Plan for FYs 2018 – 2023. The performance measures in the new plan remain substantially the same as the measures in the previous plan.

Financial Section

In this section, we present our independent auditors' report and our financial statements and notes. We prepared these statements and accompanying notes in compliance with U.S. generally accepted accounting principles for the federal government and OMB Circular A-136, Financial Reporting Requirements.

Statement of Chief Financial Officer

November 12, 2020

I am pleased to present the Farm Credit Administration's 2020 financial statements and the auditor's report on the financial position of the agency as of the fiscal year ended September 30, 2020. The audit was conducted by an independent public accounting firm contracted with the Office of Inspector General.

Our agency received an unmodified audit opinion on our financial statements for the 27th consecutive year. The auditors concluded that FCA's financial statements are presented fairly, in all material respects, and in accordance with U.S. generally accepted accounting principles.

As part of the financial audit, the auditors assessed our internal controls over financial reporting and compliance with selected provisions of applicable laws, regulations, and contracts that are material to the financial statements. No material weaknesses or significant deficiencies were reported.

During fiscal year 2020, our leadership and staff remained committed to sound financial management practices while supporting and ensuring the safety of our employees as well as the ongoing safety and soundness of the Farm Credit System institutions through the unprecedented COVID-19 pandemic.

Our investments in technology had prepared us for the transition to telework for all FCA employees in March 2020. We continued to operate effectively and efficiently during the second half of fiscal year 2020, while complying with federal guidelines and state mandates regarding the evolving pandemic.

To protect the safety and health of our employees, we suspended all travel for institution examinations in March 2020. Our examiners continued to monitor and evaluate risk in the Farm Credit System remotely. With lower operating expenses, we reduced the assessment amount to the Farm Credit System institutions to further support the agriculture community.

With statewide stay-at-home mandates in place, many employees canceled or postponed their scheduled leave, which resulted in a significant increase in our leave liability. We actively monitored our leave accrued and reallocated funds accordingly to address the unanticipated increase in our leave liability.

During the pandemic, we have continued to make significant investments in employee recruitment and retention consistent with our strategic human capital plans. We have also made additional investments in training and development opportunities for our employees.

We will continue to operate in a safe and sound manner and ensure agency resources are used appropriately throughout the COVID-19 health crisis. We will continue to comply with federal guidance to support our employees and the Farm Credit System. Our top priority continues to be our core mission: ensuring that the Farm Credit System meets the needs of our nation's farmers, ranchers, and rural communities.

I would like to thank all the FCA financial personnel, as well as the staff from other offices who worked with them, for their conscientious management of agency resources. Our shared commitment to ensuring accountability and transparency in the execution of our fiduciary duties is the foundation of our strong stewardship and ability to deliver reliable financial information to our stakeholders.

Sincerely,

Stephen G. Smith
Chief Financial Officer

Transmittal Letter of Auditor's Report

FCA OIG
Farm Credit Administration
Office of Inspector General

November 12, 2020

The Honorable Glen R. Smith, Board Chairman and Chief Executive Officer
The Honorable Jeffery S. Hall, Board Member
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Dear Chairman Smith and Board Member Hall:

We contracted with the independent public accounting firm Harper, Rains, Knight & Company P.A. (HRK) to audit the financial statements of the Farm Credit Administration (FCA) as of and for the fiscal years ended September 30, 2020 and 2019 and to provide a report on internal control over financial reporting and compliance with laws and other matters. The contract required that the audit be performed in accordance with *Government Auditing Standards*, Office of Management and Budget audit guidance, and the U.S. Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency's *Financial Audit Manual*.

In its audit of FCA, HRK reported:

- the financial statements were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting and compliance with laws and other matters; and
- no reportable noncompliance with provisions of laws tested or other matters.

In connection with the contract, we reviewed HRK's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on FCA's financial statements or conclusions about the effectiveness of internal control over financial reporting, or on compliance with laws and other matters. HRK is responsible for the attached auditor's report dated November 10, 2020, and the conclusions expressed therein. However, our review disclosed no instances where HRK did not comply, in all material respects, with *Government Auditing Standards*.

Respectfully,

Sonya K. Cerne
Assistant Inspector General for Audits, Inspections, and Evaluations

cc: Wendy R. Laguarda
Inspector General

Enclosure

Independent Auditor’s Report

Harper, Rains, Knight & Company

Independent Auditors' Report

FCA Board and Inspector General
Farm Credit Administration

Report on the Financial Statements

We have audited the accompanying financial statements of the Farm Credit Administration (FCA). FCA's financial statements comprise the balance sheets as of September 30, 2020 and 2019, and the related statements of net cost and changes in net position, and statements of budgetary resources, for the fiscal years then ended; and the related notes to the financial statements.

Management's Responsibility

FCA's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; (2) preparing, measuring, and presenting the Required Supplementary Information (RSI) in accordance with accounting principles generally accepted in the United States of America; (3) preparing and presenting other information included in documents containing the audited financial statements and auditors' report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the auditors' assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal

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The FCA Board and Inspector General
Farm Credit Administration (continued)

Auditors' Responsibility (continued)

control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, FCA's financial statements present fairly, in all material respects, FCA's financial position as of September 30, 2020 and 2019, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America issued by the Federal Accounting Standards Advisory Board (FASAB) require that the information in the Management's Discussion and Analysis be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by FASAB who considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditors' inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit, and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on FCA's financial statements. The information in the Statement of Board Chairman and CEO, Statement of Chief Financial Officer, FCA Performance Report, and Other Information section contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional

The FCA Board and Inspector General
Farm Credit Administration (continued)

Other Information (continued)

analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements.

The Statement of Board Chairman and CEO, Statement of Chief Financial Officer, Program Performance, and Other Information section has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of FCA's financial statements as of and for the year ended September 30, 2020, in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 19-03, *Audit Requirements for Federal Financial Statements*, we considered the entity's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the entity's internal control over financial reporting. We did not consider all internal controls relevant to operating objectives as broadly established by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to preparing performance information and ensuring efficient operations. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The FCA Board and Inspector General
Farm Credit Administration (continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether FCA's financial statements are free from material misstatement, we performed tests of its compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which would have a direct and material effect on the financial statements. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 19-03, *Audit Requirements for Federal Financial Statements*. We caution that noncompliance may occur and not be detected by these tests.

Management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the entity.

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to the entity that have a direct effect on the determination of material amounts and disclosures in the entity's financial statements and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to FCA.

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2020 that would be reportable under U.S. generally accepted government auditing standards or OMB Bulletin 19-03, *Audit Requirements for Federal Financial Statements*. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to FCA. Accordingly, we do not express such an opinion.

***Purpose of the Other Reporting Required by* Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of FCA's internal control or compliance. These reports are an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harper, Rains, Knight & Company, P.A.

November 10, 2020

Financial Statements

We have prepared the accompanying financial statements in accordance with U.S. generally accepted accounting principles and with the Office of Management and Budget Circular A-136, as amended. For comparison purposes, we present our financial statements and notes for FY 2020 and FY 2019. All amounts are in whole dollars. Our financial statements include the following:

- Balance sheets, which show our assets, our liabilities, and our net position (assets minus liabilities).
- Statements of net cost, which show our net cost of operations. We calculate our net costs by subtracting from our gross costs any revenue we earn. We break the statement of net cost into three program components: public mission, safety and soundness, and other activity.
- Statements of changes in net position, which show the changes in our net position over the two-year period ending Sept. 30, 2020.
- Statements of budgetary resources, which show our resources, the status of our resources, and the outlay of resources during the fiscal year.
- Notes to the financial statements, which clarify and provide additional detail regarding the amounts in the financial statements.

Not all the statements mentioned in Circular A-136 apply to our agency. For this reason, we do not include a statement of custodial activity, a statement of social insurance, or a statement of changes in social insurance amounts.

Balance sheets

As of Sept. 30, 2020 and 2019
(In dollars)

Balance sheet categories	Line item description	2020	2019
Assets	**Intragovernmental**		
	Fund balance with Treasury (note 2)	$4,204,180	$1,388,463
	Investments (note 3)	34,471,697	34,614,229
	Accounts receivable (note 4)	31,007	7,516
	Prepaid expenses	2,396	0
	Total intragovernmental	**38,709,280**	**36,010,208**
	Accounts receivable (note 4)	13,009	150,342
	General property, equipment, and software, net (note 5)	1,803,072	1,173,085
	Prepaid expenses	214,821	289,945
	Total assets	**$40,740,182**	**$37,623,580**
Liabilities	**Intragovernmental**		
	Accounts payable	$132,622	$37,859
	Accrued post-employment compensation	30,231	35,914
	Employer contributions and payroll taxes payable	695,654	549,182
	Other (note 7)	0	132
	Total intragovernmental	**858,507**	**623,087**
	Accounts payable	384,890	726,614
	Actuarial workers' compensation liability (note 6)	1,481,359	1,595,070
	Accrued payroll and benefits	8,192,979	7,659,548
	Employer contributions and payroll taxes payable	595,999	544,827
	Deferred revenue	6,331,840	5,572,620
	Total liabilities (note 6)	**$17,845,574**	**$16,721,766**
Net position	**Cumulative results of operations**	**$22,894,608**	**$20,901,814**
	Total net position	**22,894,608**	**20,901,814**
	Total liabilities and net position	**$40,740,182**	**$37,623,580**

The accompanying notes are an integral part of these statements.

Statements of net cost

For the years ended Sept. 30, 2020 and 2019
(In dollars)

Agency programs	Program costs	2020	2019
Public mission	Gross costs	$19,014,091	$20,472,180
	Less: Earned revenue	(18,082,433)	(18,833,677)
	Net program cost	$931,658	$1,638,503
Safety and soundness	Gross costs	$58,420,531	$59,441,216
	Less: Earned revenue	(55,535,650)	(54,672,029)
	Net program cost	$2,884,881	$4,769,187
Other activity	Gross costs	$781,411	$1,005,507
	Less: Earned revenue	(504,831)	(668,273)
	Net program cost	$276,580	$337,234
Net cost of operations (note 8 and note 13)		**$4,093,119**	**$6,744,924**

The accompanying notes are an integral part of these statements.

Statements of changes in net position

For the years ended Sept. 30, 2020 and 2019
(In dollars)

Cumulative results of operations		2020	2019
Beginning balances		$20,901,814	$20,523,940
Other financing sources (Non-exchange)	**Imputed financing sources**		
	Federal employee benefits (note 9)	2,435,913	3,472,798
	Rent (note 9)	3,650,000	3,650,000
	Total financing sources	6,085,913	7,122,798
Net cost of operations		(4,093,119)	(6,744,924)
Net change		1,992,794	377,874
Cumulative results of operations		$22,894,608	$20,901,814
Net position		**$22,894,608**	**$20,901,814**

The accompanying notes are an integral part of these statements.

Statements of budgetary resources

For the years ended Sept. 30, 2020 and 2019
(In dollars)

Statement of budgetary resources categories	Line item description	2020	2019
Budgetary resources	Unobligated balance from prior year budget authority, net	$21,427,515	$21,951,094
	Spending authority from offsetting collections	74,878,764	73,430,739
	Total budgetary resources (note 11)	**$96,306,279**	**$95,381,833**
Status of budgetary resources	New obligations and upward adjustments (total)	$73,181,829	$73,954,318
	Unobligated balance, end of year		
	Exempt from apportionment, unexpired accounts	16,792,610	15,854,895
	Exempt from apportionment, not available	6,331,840	5,572,620
	Unobligated balance, end of year (total)	23,124,450	21,427,515
	Total budgetary resources (note 11)	**$96,306,279**	**$95,381,833**
Outlays, net	Outlays, net (total)	(2,630,675)	(264,710)
	Agency outlays, net (note 13)	**$(2,630,675)**	**$(264,710)**

The accompanying notes are an integral part of these statements.

Notes to the financial statements

Note 1. Significant accounting policies

A. **Reporting entity** — We are an independent agency in the executive branch of the U.S. government. We are responsible for regulating and supervising the Farm Credit System (its banks, associations, and related entities) and the Federal Agricultural Mortgage Corporation (Farmer Mac). Specifically, we are empowered to ensure safe and sound operations of all System institutions. Initially created by an executive order of the president in 1933, FCA now derives its power and authority from the Farm Credit Act of 1971, as amended. The act requires us to periodically examine System institutions. Policymaking for FCA is vested in a full-time, three-person board whose members are appointed by the president with the advice and consent of the Senate.

While FCA's board members also serve as the board of directors for the Farm Credit System Insurance Corporation (FCSIC), FCSIC is a separate independent agency from the Farm Credit Administration. FCSIC was established by the Agricultural Credit Act of 1987 in the wake of the agricultural credit crisis of the 1980s. The purpose of FCSIC is to protect investors in Systemwide debt securities by insuring the timely payment of principal and interest on obligations issued by FCS banks. FCSIC does so by maintaining the Farm Credit Insurance Fund, a reserve that represents the equity of FCSIC.

B. **Basis of accounting and presentation** — The financial statements have been prepared in accordance with OMB Circular No. A-136, as amended. In addition, the financial statements have been prepared on an accrual basis from our books and records in accordance with generally accepted accounting principles and the Statements of Federal Financial Accounting Standards (SFFAS) prescribed by the Federal Accounting Standards Advisory Board, the official body for setting accounting standards for the federal government. Under the accrual method, revenues are recognized when earned, and expenses are recognized when goods or services are received, without regard to receipt of funds or payment of cash. FCA is not subject to apportionment. Budgetary accounting has been applied to facilitate compliance with legal constraints and control over the use of funds.

C. **Fund balance with Treasury** — We maintain a revolving, no-year account with the U.S. Treasury through which cash receipts and disbursements are processed. We do not receive appropriated funds. See note 2.

D. **Investments** — The Farm Credit Act gives us the authority to invest in public debt securities with maturities suitable to our needs. We invest solely in U.S. Treasury securities, which are normally held to maturity and carried at cost. Investments are adjusted for unamortized premiums or discounts. Premiums and discounts are amortized and interest is accrued using the level-yield, scientific method of effective interest amortization over the term of the respective issues. We use interest earned on investments to build and maintain an agency reserve, which allows us to respond effectively and efficiently to unexpected, unbudgeted expenses without increasing assessments. See note 3.

E. **Accounts receivable** — Accounts receivable are composed of

- reimbursements for FCA administrative expenses according to agreements with other federal entities,
- assessments from institutions in accordance with the Farm Credit Act and FCA regulations, and
- amounts owed FCA that are generated through the normal course of business with employees and vendors.

Amounts due from federal agencies are considered fully collectible. An allowance for uncollectible amounts receivable from the public is established when we have determined that the collection is unlikely to occur after considering the debtor's ability to pay.

The Office of the Chief Financial Officer, in conjunction with the agency's accounting service provider, the Bureau of the Fiscal Service, reviews the agency's accounts receivable on a regular basis. We have determined that all accounts receivable as of Sept. 30, 2020, are fully collectible. See note 4.

F. **Advances and prepaid expenses** — Payments made before the receipt of goods and services are recorded as advances or prepaid expenses at the time of prepayment and are recognized as expenses when the goods and services are received. This process helps to minimize large dollar fluctuations in cost and provides for the recognition of cost based on use. When the prepayment amount has minimal impact on cost, it is more cost-effective to expense the advance or prepayment at the time of payment. We establish advances for prepaid maintenance agreements over $20,000 and for prepaid training exceeding $15,000.

G. **General property, equipment, and software** — Property (including vehicles), equipment, and software are recorded at cost, net of an allowance for accumulated depreciation. Repairs and maintenance costs are expensed as incurred. We capitalize all property and equipment with itemized costs of $50,000 or more and a useful life of two years or more. We also capitalize groups of items that individually are under $50,000 but together meet the bulk purchase criteria of $500,000 or more. We capitalize software when its costs exceed $250,000 and when the software has a useful life of two years or more. We use the straight-line method of depreciation with half-year convention to allocate the cost of capitalized property, equipment, or software over its estimated useful life. See note 5.

H. **Accounts payable** — Accounts payable consist of amounts owed to other federal agencies and the public. We strive to make payments in a timely manner in accordance with the Prompt Payment Act. If payments are late, we pay interest penalties.

I. **Liabilities** — Liabilities may or may not be covered by budgetary or other resources. All our liabilities are covered by budgetary resources except for the actuarial workers' compensation liability (see note 6). Intragovernmental liabilities are claims against us by other federal agencies.

J. **Inter-entity costs** — Goods and services are received from other entities at no cost or at a cost less than full cost to the providing entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by FCA are recognized as imputed cost on the statement of net cost and are offset by imputed revenue on the statement of changes in net position. FCA's inter-entity costs that are reported as imputed costs include federal employee benefits and rent. See note 9.

K. **Annual, sick, and other leave** — Annual leave, compensatory leave, credit hours, and some other types of leave are accrued as a funded liability when earned, with an offsetting reduction for leave taken. The accrued leave liability for each of these types of leave is calculated using current pay rates. Sick leave and other types of nonvested leave are expensed as the leave is taken. Our methodology for calculating the leave liability includes the cost of benefits associated with the compensation. This ensures that our estimated liability for leave reflects the current composition of our staff; most of our employees are under the Federal Employees Retirement System instead of the Civil Service Retirement System.

L. **Assessments** — A substantial portion of our revenues is based on direct assessments billed to the System institutions we regulate or examine. We also recognize revenues based on examination services provided by the Office of Examination. We use a formula established in our regulations to calculate assessments. We base each institution's assessment, in part, on its average risk-adjusted assets and its overall financial health.

M. **Deferred revenue** — Any funds received before the beginning of the new fiscal year are considered unearned revenue and are reported as deferred revenue on the balance sheet. These amounts are also reported as "exempt from apportionment, not available" on the statement of budgetary resources.

N. **Use of estimates** — We have made certain estimates and assumptions when reporting assets, liabilities, revenue, and expenses; we have also made estimates and assumptions in the note disclosures. Actual results could differ from these estimates. Some estimates include year-end accruals and accrued workers compensation.

O. **Financial data** — All amounts presented in this report are in whole dollars.

P. **Reclassifications** — Certain amounts presented in the prior years have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net position or budgetary resources.

Q. **Classified activities** — Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information. FCA does not have any classified activities.

Note 2. Fund balance with Treasury

Line item description	2020	2019
Status of fund balance with Treasury		
Unobligated balance		
Available	$16,792,610	$15,854,895
Unavailable	6,331,840	5,572,620
Obligated balance not yet disbursed	15,227,056	14,293,317
Subtotal — Status of fund balance	38,351,506	35,720,832
Funds invested with Treasury, net of unamortized discount	(34,147,326)	(34,332,369)
Total fund balance with Treasury	**$4,204,180**	**$1,388,463**

The fund balance with Treasury is an asset account that shows our available cash. The balance in the account increases as we collect funds and decreases as we disburse funds. The status of our fund balance with Treasury may be classified as unobligated available, unobligated unavailable, or obligated. Unobligated available amounts represent funds available for incurring new obligations. The unobligated unavailable amounts include funds not yet available for use and represent the amount of new fiscal year assessments received before Oct. 1. These unavailable amounts are also classified as deferred revenue on the balance sheet. Amounts noted as "obligated balance not yet disbursed" represent amounts designated for payment of goods and services received and not yet paid.

Unobligated balances noted above agree with unobligated balances reported on the Statement of Budgetary Resources.

All our funds invested with Treasury are in U.S. Treasury securities.

Note 3. Investments

Amounts for 2020 balance sheet reporting

Intragovernmental securities	Cost	Amortized (premium) discount	Investments, net	Interest receivable	9/30/20 Investment balance	Market value disclosure
Nonmarketable: market-based	$34,329,817	$40,783	$34,370,600	$101,097	$34,471,697	$34,585,814

Amounts for 2019 balance sheet reporting

Intragovernmental securities	Cost	Amortized (premium) discount	Investments, net	Interest receivable	9/30/19 Investment balance	Market value disclosure
Nonmarketable: market-based	$34,345,472	$178,865	$34,524,337	$89,892	$34,614,229	$34,611,584

Premiums and discounts are amortized, and interest is accrued using the level-yield, scientific method of effective interest amortization over the term of the respective issues. Interest revenue on investments was $617,438 and $805,339 for FYs 2020 and 2019, respectively.

Note 4. Accounts receivable

Description	2020	2019
Intragovernmental		
Reimbursements for services provided	$31,007	$7,516
Subtotal	31,007	7,516
With the public		
Reimbursements for services provided	12,300	146,536
Expenditure refunds	709	3,806
Subtotal	13,009	150,342
Total accounts receivable	**$44,016**	**$157,858**

The intragovernmental receivables represent reimbursable services provided to USDA and FCSIC but unbilled as of Sept. 30. Receivables for services provided to the public represent uncollected amounts related to the cost of examining the National Consumer Cooperative Bank.

We do not have any uncollectible accounts receivable and therefore do not display any estimate for allowance for uncollectible accounts.

Note 5. General property, equipment, and software

As of Sept. 30, 2020

Type of asset	Estimated useful life	Depreciation method	Acquisition value	Accumulated/Amortized depreciation	Book value
Equipment	3 years	Straight line	$1,641,722	$(876,603)	$765,119
Equipment	5 years	Straight line	498,326	(339,262)	159,064
Equipment	10 years	Straight line	305,304	(167,440)	137,864
Internal use software	5 years	Straight line	1,270,813	(779,016)	491,797
Software in development			249,228	0	249,228
Total			**$3,965,393**	**$(2,162,321)**	**$1,803,072**

As of Sept. 30, 2019

Type of asset	Estimated useful life	Depreciation method	Acquisition value	Accumulated/Amortized depreciation	Book value
Equipment	3 years	Straight line	$723,580	$(723,580)	$0
Equipment	5 years	Straight line	498,326	(239,595)	258,731
Equipment	10 years	Straight line	305,304	(136,910)	168,394
Internal use software	5 years	Straight line	1,270,813	(524,853)	745,960
Total			**$2,798,023**	**$(1,624,938)**	**$1,173,085**

Capitalization thresholds for property and equipment are $50,000 per individual asset and $500,000 for bulk purchase of equipment. Capitalized internal use software is capitalized when costs exceed $250,000.

Note 6. Liabilities not covered by budgetary resources (actuarial workers' compensation liability)

We record an unfunded liability (liability not covered by budgetary resources) for the actuarial liability under the Federal Employees' Compensation Act (FECA). The actuarial FECA liability is the estimated liability for future benefit payments and is recorded as a component of federal employee benefits. The actuarial liability estimate for benefits under FECA includes the expected liability for costs associated with death, disability, and medical care for approved compensation cases. The estimate also includes costs associated with incurred but unreported claims.

The Department of Labor estimates future workers' compensation liability for specified entities that are preparing statements under the Chief Financial Officers Act and the Government Management Reform Act. Because we are not one of the entities for which the Department of Labor provides individual estimates on a routine basis, we calculated our estimated FECA actuarial liability amount by using the Department of Labor's FY 2020 model.

Liability description	2020	2019
Federal Employees' Compensation Act actuarial liability	$1,481,359	$1,595,070
Total liabilities not covered by budgetary resources	1,481,359	1,595,070
Total liabilities covered by budgetary resources	16,364,215	15,126,696
Total liabilities	**$17,845,574**	**$16,721,766**

Note 7. Other liabilities

The other liabilities represented on the balance sheet for FY 2019 are custodial liabilities, which were amounts to be collected on behalf of the General Fund of the U.S. Government. The amounts we show on our balance sheet for 2019 were from interest and penalties levied on outstanding accounts receivable.

Note 8. Suborganization program costs

The following tables provide a detailed breakout of the statement of net cost for each of the fiscal years ended 2020 and 2019. We display our cost and earned revenue amounts by office within each program.

For the year ended Sept. 30, 2020

Agency programs	Program costs	Office of Examination	Office of Regulatory Policy	Office of Secondary Market Oversight	Other offices	Total
Public mission	Gross costs	$425,969	$5,224,056	$418,921	$12,945,145	$19,014,091
	Less: Earned revenue	(405,721)	(4,975,737)	(369,980)	(12,330,995)	(18,082,433)
	Net program cost	20,248	248,319	48,941	614,150	931,658
Safety and soundness	Gross costs	36,805,731	607,834	1,502,976	19,503,990	58,420,531
	Less: Earned revenue	(35,038,185)	(577,690)	(1,335,685)	(18,584,090)	(55,535,650)
	Net program cost	1,767,546	30,144	167,291	919,900	2,884,881
Other activity	Gross costs	181,268	86,778	535	512,830	781,411
	Less: Earned revenue	(117,107)	(56,063)	(347)	(331,314)	(504,831)
	Net program cost	64,161	30,715	188	181,516	276,580
Net cost of operations		**$1,851,955**	**$309,178**	**$216,420**	**$1,715,566**	**$4,093,119**

For the year ended Sept. 30, 2019

Agency programs	Program costs	Office of Examination	Office of Regulatory Policy	Office of Secondary Market Oversight	Other offices	Total
Public mission	Gross costs	$755,454	$5,668,326	$564,309	$13,484,091	$20,472,180
	Less: Earned revenue	(698,625)	(5,243,131)	(422,580)	(12,469,341)	(18,833,677)
	Net program cost	56,829	425,195	141,729	1,014,750	1,638,503
Safety and soundness	Gross costs	38,989,922	1,257,124	1,519,556	17,674,614	59,441,216
	Less: Earned revenue	(36,004,004)	(1,157,338)	(1,131,808)	(16,378,879)	(54,672,029)
	Net program cost	2,985,918	99,786	387,748	1,295,735	4,769,187
Other activity	Gross costs	311,999	122,189	2,047	569,272	1,005,507
	Less: Earned revenue	(207,358)	(81,208)	(1,361)	(378,346)	(668,273)
	Net program cost	104,641	40,981	686	190,926	337,234
Net cost of operations		**$3,147,388**	**$565,962**	**$530,163**	**$2,501,411**	**$6,744,924**

Note 9. Inter-entity costs

Federal employee benefits

Benefit description	2020	2019
Imputed pension costs	$251,324	$1,445,263
Other imputed retirement benefits	2,184,589	2,027,535
Total	**$2,435,913**	**$3,472,798**

We report the amount of our pension expense and other retirement benefits in accordance with SFFAS No. 5, Accounting for Liabilities of the Federal Government. These expenses are treated as an imputed expense, which is recognized when amounts remitted to OPM are less than the full cost to the government. Corresponding amounts of imputed revenue are recorded to offset the imputed cost.

Pension expenses — Our employees are covered under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) to which we make contributions according to plan requirements. CSRS and FERS are multiemployer plans. We do not maintain or report information about the assets of the plan, nor do we report actuarial data for accumulated plan benefits. The reporting of such amounts is the responsibility of OPM.

Other retirement benefit expenses — We also recognize an expense for the cost of providing health benefits and life insurance to our employees after they retire. OPM provides the factors used to calculate these costs.

Rent

FCA office description	2020	2019
Leased field offices	$1,308,035	$1,380,013
FCA headquarters	2,341,965	2,269,987
Total	**$3,650,000**	**$3,650,000**

In accordance with the Farm Credit Act, we occupy buildings owned and leased by the Farm Credit System Building Association (FCSBA). Our administrative headquarters building and land are in McLean, Virginia. In addition, the FCSBA leases office space for field offices on our behalf at various locations throughout the United States. Rent is provided at no cost to us. Our imputed rent expense is an estimate based on the FCSBA's estimated budget for 2020. In accordance with SFFAS No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government, the rent expense and the associated imputed revenue are recorded as a nonmonetary transaction.

Note 10. Undelivered orders at the end of the period

As of Sept. 30, 2020, budgetary resources obligated for undelivered orders were as follows:

Type of undelivered orders	Federal	Nonfederal	Total
Paid undelivered orders	$2,396	$214,822	$217,218
Unpaid undelivered orders	371,847	5,359,200	5,731,047
Total undelivered orders	**$374,243**	**$5,574,022**	**$5,948,265**

As of Sept. 30, 2019, budgetary resources obligated for undelivered orders were as follows:

Type of undelivered orders	Federal	Nonfederal	Total
Paid undelivered orders	$0	$289,945	$289,945
Unpaid undelivered orders	468,338	4,877,209	5,345,547
Total undelivered orders	**$468,338**	**$5,167,154**	**$5,635,492**

Note 11. Explanation of differences between the Statement of Budgetary Resources and the budget of the U.S. government

SFFAS 7 requires the reporting of material differences between amounts reported in the Statement of Budgetary Resources and the actual amounts reported in the Budget of the United States Government.

There are no material differences between the amounts reported in the FY 2019 Statement of Budgetary Resources and the FY 2019 actual amounts reported in the FY 2021 Budget of the United States Government. The FY 2022 Budget of the United States is not yet available to compare the FY 2020 actual amounts to the FY 2020 Statement of Budgetary Resources. The budget is expected to be available in February 2021 at https://www.whitehouse.gov/omb/budget/.

Note 12. Incidental custodial collections

Our custodial collections include receipts to cover the costs of fulfilling Freedom of Information Act requests; they also include other receipts, such as interest and penalties. During the fiscal year, we include these collections in the Fund Balance with Treasury. However, since these collections are immaterial to the financial statements and incidental to our mission, we do not provide a Statement of Custodial Activity. Custodial collections totaled $199 for the period ended Sept. 30, 2020, and $215 for Sept. 30, 2019. The funds collected in FY 2020 were transferred to the Department of the Treasury at the end of FY 2020.

Note 13. Reconciliation of net cost to net outlays

As prescribed by SFFAS 53, Budget and Accrual Reconciliation, this note explains the relationship between our net outlays on a budgetary basis and the net cost of operations during the reporting period. It is a reconciliation between budgetary and financial accounting information.

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash. Because financial accounting is intended to provide a picture of the government's financial operations and financial position, it presents information on an accrual basis. The accrual basis includes information about costs arising from consuming assets and incurring liabilities. The analyses in the tables below illustrate this reconciliation by listing the key differences between net cost and net outlays.

For the year ended Sept. 30, 2020

Reconciling items	Intragovernmental	With the public	Total
Net Operating Cost	**$19,645,808**	**$(15,552,689)**	**$4,093,119**
Components of net operating cost that are not part of budgetary outlays			
Property, plant, and equipment depreciation	0	(537,382)	(537,382)
Increase/(decrease) in assets			
Accounts receivable	34,696	(137,202)	(102,506)
Other assets	2,396	(75,123)	(72,727)
Investments	31,306	0	31,306
(Increase)/decrease in liabilities not affecting budgetary outlays			
Accounts payable	(94,763)	341,724	246,961
Salaries and benefits	(140,788)	(582,516)	(723,304)
Other liabilities	0	(647,597)	(647,597)
Other financing sources			
Federal employee retirement benefit costs	(2,435,913)	0	(2,435,913)
Other imputed finance	(3,650,000)	0	(3,650,000)
Total components of net operating cost that are not part of budgetary outlays	**(6,253,066)**	**(1,638,096)**	**(7,891,162)**
Components of budgetary outlays that are not part of net operating cost			
Acquisition of capital assets	0	1,167,368	1,167,368
Other	0	0	0
Total components of budgetary outlays that are not part of net operating cost	0	1,167,368	1,167,368
Net outlays (calculated total)	**$13,392,742**	**$(16,023,417)**	**$(2,630,675)**
Related amounts on the Statement of Budgetary Resources			
Outlays, gross			(2,630,675)
Outlays, net			**$(2,630,675)**

For the year ended Sept. 30, 2019

Reconciling items	Intragovernmental	With the public	Total
Net Operating Cost	**$19,573,348**	**$(12,828,424)**	**$6,744,924**
Components of net operating cost that are not part of budgetary outlays			
Property, plant, and equipment depreciation	0	(498,528)	(498,528)
Increase/(decrease) in assets			
Accounts receivable	1,953	65,933	67,886
Other assets	0	22,238	22,238
Investments	109,710	0	109,710
(Increase)/decrease in liabilities not affecting budgetary outlays			
Accounts payable	11,566	584,051	595,617
Salaries and benefits	(67,542)	(430,533)	(498,075)
Other liabilities	(23)	250,066	250,043
Other financing sources			
Federal employee retirement benefit costs	(3,472,798)	0	(3,472,798)
Other imputed finance	(3,650,000)	0	(3,650,000)
Total components of net operating cost that are not part of budgetary outlays	**(7,067,134)**	**(6,773)**	**(7,073,907)**
Components of budgetary outlays that are not part of net operating cost			
Acquisition of capital assets	0	64,273	64,273
Other	238	(238)	0
Total components of budgetary outlays that are not part of net operating cost	238	64,035	64,273
Net outlays (calculated total)	**$12,506,452**	**$(12,771,162)**	**$(264,710)**
Related amounts on the Statement of Budgetary Resources			
Outlays, gross			(264,710)
Outlays, net			**$(264,710)**

Note 14. COVID-19 activity

We did not use any significant amount of our budgetary resources to prevent, prepare for, or respond to COVID-19. We also did not receive any budgetary resources under any of the COVID-19 supplemental appropriations or other acts.

Other Information

This section includes the following additional reporting required by the Office of Management and Budget:

- A summary of the management challenges identified by our inspector general, which includes a description of each challenge along with an assessment of the agency's actions to address those challenges
- Our response to the inspector general's assessment
- A summary of our financial statement audit and management assurances
- Our actions to address Payment Integrity Act requirements
- An update on our annual adjustment on civil monetary penalties

Letter from Inspector General on FCA's Management Challenges

FCAOIG
Farm Credit Administration
Office of Inspector General

October 9, 2020

The Honorable Glen R. Smith, Chairman and Chief Executive Officer
The Honorable Jeffery S. Hall, Board Member
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090

Dear Chairman Smith and Board Member Hall:

As part of the Farm Credit Administration's (FCA or Agency) annual Performance and Accountability Report, the Reports Consolidation Act of 2000 requires Inspectors General to provide a summary perspective on the most serious management and performance challenges facing the Agency. We solicited the FCA Board and management for thoughts on this issue and identified the following top five management challenges:

1. Examination and Supervision Program
2. Information Technology
3. Data Quality and Analysis
4. Human Capital
5. Secondary Market Oversight

This year we incorporated challenges posed by the COVID-19 pandemic into each of the above challenges, as appropriate.

We appreciate the continued, ongoing support of Agency leadership. We will continue to work with you in addressing these and other challenges faced by the Agency in achieving FCA's mission. If you have any questions, please call me at (703) 883-4234.

Sincerely,

Wendy R. Laguarda

Wendy R. Laguarda
Inspector General

Management Challenges

Farm Credit Administration

Office of Inspector General

October 9, 2020

MANAGEMENT CHALLENGES

As part of the Farm Credit Administration's (FCA or Agency) annual Performance and Accountability Report, the Reports Consolidation Act of 2000 requires Inspectors General to provide a summary perspective on the most serious management and performance challenges facing the Agency. These challenges reflect ongoing vulnerabilities identified by the Office of Inspector General (OIG) over recent years as well as new and emerging issues that the FCA faces. The chart below summarizes the top management challenges. The pages following the chart provide more depth regarding each challenge and the Agency's progress in addressing them.

Examination and Supervision Program

- Identifying and addressing risks in the Farm Credit System through effective examination and supervision to ensure it remains safe and sound.

Information Technology

- Leveraging investments in information technology while maintaining a secure environment and mobile workforce.

Data Quality and Analysis

- Obtaining consistent and quality data vital to the Farm Credit Administration's mission.

Human Capital

- Maintaining a safe, well-trained, and sustainable workforce while facing challenges in retirement eligibilities, workforce retention, and diversity.

Secondary Market Oversight

- Providing effective and impartial oversight of the Federal Agricultural Mortgage Corporation through the Farm Credit Administration's Office of Secondary Market Oversight.

CHALLENGE ONE: *EXAMINATION AND SUPERVISION PROGRAM*

A significant challenge for FCA lies in identifying and addressing risks in the Farm Credit System (FCS or System) through effective examination and supervision to ensure the System remains safe and sound.

Although the System remains financially sound, it continues to be impacted by changing risk conditions. This year, the COVID-19 pandemic has had a swift and substantial impact on the global economy. Disruptions to employees, markets, transportation, and other factors have yielded significant volatility and uncertainty, creating new and increased risks in the System. In addition to the pandemic, this year has brought significant natural disasters, which increase stress to borrowers in affected areas. These unprecedented challenges require FCS institutions to be increasingly proactive and responsive to risks in the System. Working with borrowers and adapting to increasing risks, while maintaining financial capacity, will further increase the complexity of the System.

FCA's examination and supervision program will face new challenges to align with evolving threats, risks, and conditions. As a result of the COVID-19 pandemic, FCA directed most of its workforce to telework, suspended onsite examinations, and restricted business travel and in-person training. Within this new environment, FCA will need to continue its risk-based approach to oversight of the System. The Agency will require more sophisticated risk evaluation techniques to align with emerging risk factors and identify and deter consequences with the greatest potential impact. Effective oversight will require using new technologies and developing new skill sets within the Agency to adapt to challenges, such as the challenges the System faces with the London Interbank Offered Rate (LIBOR) phase out. The control environment must also adapt to address increasing expectations associated with internal controls.

More serious or persistent weaknesses require additional oversight activities. FCA must respond and intervene, when necessary, to protect the System. Effective examination and supervision require prompt identification of unacceptable risks. Both internal and external factors can cause significant changes in condition in a short period of time. Corrective actions and follow-up are critical to preventing the escalation of issues that impact safety and soundness. The Agency must be agile to monitor and prevent such conditions to protect the System.

Agency Progress

FCA continuously works to address the challenges of its examination and supervision roles and responsibilities. The Office of Examination (OE) has issued Informational Memoranda (IM) with guidance for institutions.

The Agency issued an IM titled, *Guidance for System Institutions Affected by the COVID-19 Pandemic* (May 4, 2020), which addressed working with borrowers; meeting capital and liquidity requirements; complying with financial reporting requirements; and managing operational and other issues. The guidance also included supplements addressing troubled debt restructurings; 2020 annual meeting and election activities; flood insurance requirements; consumer financial protection; regulatory capital requirements for Paycheck Protection Program (PPP) loans and PPP loans pledged to the PPP Liquidity Facility; and electronic delivery of borrower rights notices. OE issued an IM on the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) requirements that may impact institutions, *CARES Act Requirements and COVID-19 Related Compliance Guidance from the Consumer Financial Protection Bureau* (May 14, 2020). The Office of Regulatory Policy issued an IM, *Guidance on the Paycheck Protection Program for Small Businesses Affected by the COVID-19 Pandemic* (July 14, 2020) with guidance on the PPP, which authorized forgivable loans to small businesses to support payroll and certain other needs during the COVID-19 pandemic.

On January 9, 2020, the Agency issued a Bookletter, *Interest Rate Risk Management*, to provide clarification and guidance to System institutions on an effective interest rate risk management framework.

Each year, OE identifies National Oversight Plan risk topics that are emphasized in ongoing examinations and oversight activities. OE identified three risk topics for fiscal year 2020: risk identification in stressed industries and institutions' lending controls; board governance over internal controls, with a focus on the internal audit program; and cybersecurity and emerging information technology-related threats.

Relevant OIG Work

FCA's OIG completed an audit on FCA's criminal referral process. The objective of the audit was to determine whether FCA's criminal referral and follow-up process is effective and efficient. FCA established regulations on criminal referral requirements and had processes in place to enable examination staff to access criminal referral information. However, we identified opportunities to improve the overall effectiveness and efficiency of collecting, storing, and analyzing criminal referrals. We made seven recommendations to the Agency to improve the criminal referral process. In response to our recommendations the Agency agreed to:

- Update policies and procedures;
- Complete a Privacy Impact Assessment and update the System of Records Notice for criminal referrals;
- Review and update processes for criminal referral reviews;
- Minimize the storage and visibility of Personally Identifiable Information in criminal referrals;
- Determine whether additional resources are needed to educate the System on criminal referral activities and trends;
- Add potential loss and insider information fields to the criminal referral listing; and
- Evaluate and identify ways to enhance the capture of criminal referral data and the presentation of related statistics.

The OIG also plans to address other challenges faced by the examination and supervision program, including a review of the Agency's examination staff scheduling and rotation, OE recruiting, and the similar entity lending oversight process.

CHALLENGE TWO: *INFORMATION TECHNOLOGY*

A significant management challenge for FCA is the ability to leverage investments in information technology (IT) while maintaining a secure environment.

Cybersecurity threats and vulnerabilities present significant challenges across the federal government. These challenges require an IT security program that is responsive, agile, and forward-looking. The prevalence of cybersecurity threats and risks have been highlighted by security incidents and data breaches across the public and private sectors. Because FCA relies on various IT systems, security challenges can directly impact the Agency's ability to achieve its mission. As such, FCA must continuously identify and respond to complex IT risks to effectively manage this challenge area.

Given the current COVID-19 pandemic and national emergency, FCA has its staff working remotely full-time. While the FCA staff is telework-ready and has responded to the challenge of transition, additional resources are required from the IT staff to support the telework environment. Further, working remotely exposes potential vulnerabilities that may go beyond the Agency's control. The new working environment adds a new layer to the Agency's IT services given the resources and support needed for a secure environment while keeping the health and safety of FCA staff the upmost priority.

It is imperative that FCA has the necessary tools and staff to operate efficiently and effectively. At the same time, the Agency must be prudent and responsible with its spending. To stay current and address the Agency's IT requirements, FCA needs well-trained personnel that can successfully maintain IT systems and integrate new tools to improve operations. This challenge becomes increasingly difficult as new IT requirements are developed and implemented across federal systems.

Agency Progress

FCA continues to invest in various IT tools to increase efficiency and effectiveness. In addition, FCA's information security program continues to mature as it continuously identifies areas to strengthen and improve security. FCA has also updated several important policies and procedures to document new processes and overall responsibilities. Updates include the IT Security and Privacy Policy, the Information Security Continuous Monitoring Strategy, and multiple office directives on items such as privacy and security. OIT also continues to work on developing the privacy program.

Over the last few years, the Office of Information Technology (OIT) has also supplemented its staff. FCA hired a privacy officer to address privacy requirements, including compliance with the Privacy Act. Several other positions within OIT have been filled, including a new Enterprise Data Management Team Lead, Information Security Specialists, and other IT Specialists.

Relevant OIG Work

The OIG performs an annual evaluation of FCA's compliance with the Federal Information Security Modernization Act of 2014. Looking ahead, the OIG will continue to focus on OIT operations and implementation of IT systems.

CHALLENGE THREE: *DATA QUALITY AND ANALYSIS*

A significant management challenge for FCA exists in the collection and use of data.

Obtaining timely, consistent, and quality data is vital to FCA's mission of ensuring that the System remains a dependable source of credit for agriculture and rural America. Such data allows FCA to better monitor the System's condition and identify current and emerging risks, including the impacts of the COVID-19 pandemic. In doing so, FCA enhances the development of a risk-based examination agenda and the promulgation of evidence-based regulations, policies, and guidance.

Collecting useful data from the System is no simple task, as varying practices and technical capabilities among its 70-plus institutions can result in inconsistencies that inhibit robust data analysis. In imposing reporting requirements, the Agency must consider the resulting burdens to System institutions while ensuring that data is collected and maintained in a manner comporting with legal requirements and that sensitive information is safeguarded against unauthorized access or use. By identifying the gaps and critical data necessary to efficiently and effectively perform its mission, the Agency can better ensure the safety and soundness of the System.

Agency Progress

The Agency's Strategic Plan recognizes and underscores the importance of effective data analysis to oversight of the FCS. In November 2019, in recognition of the importance of data analytics and with a view to the requirements of the Foundations for Evidence-Based Policymaking Act of 2018 (Evidence Act), the FCA Board established a new Office of Data Analytics and Economics (ODAE) to be headed by the Agency's Chief Data Officer. The ODAE will, among other things, serve as a steward for Agency data and provide information to support objective, evidence-based decisionmaking Agency-wide.

In further implementation of the Evidence Act, FCA created the Data Advisory Group as a forum for addressing data management standards, priorities, policies, and practices. Headed by the Chief Data Officer and composed of various Agency leaders, the Data Advisory Group is tasked with leading implementation of Agency-wide processes and standards, and with addressing common issues affecting FCA data programs and resources. The Agency has also formed a Data Users' Group to focus on the technical implementation and management of core Agency datasets.

In the interest of improving its data analytics, FCA has made investments in related IT and continues to develop and implement analytical and examination tools that will enhance its ability to perform systemic risk and data analysis. FCA also continues to work with the System to prioritize the most critical data fields for the overall improvement of data quality and consistency.

Relevant OIG Work

Recent OIG reviews relevant to this subject include a 2019 audit on the Agency's implementation of stress testing guidance and use of data and analytical and examination tools; a 2016 audit on FCA's oversight of young, beginning, and small farmer and rancher programs; and a 2016 audit on FCA's risk project. Going forward, the OIG will continue monitoring the Agency's progress in obtaining and analyzing data.

CHALLENGE FOUR: *HUMAN CAPITAL*

A significant management challenge for FCA is maintaining a safe, well-trained, sustainable workforce while facing challenges in retirement eligibilities, succession planning and training, and diversity.

Employees are FCA's most valuable asset and the safety and well-being of FCA's workforce is brought to the forefront during the COVID-19 pandemic. The Agency's success depends greatly on its ability to recruit, retain, and develop a capable workforce, and keep its workforce safe during challenging times such as the current pandemic. Because FCA is a relatively small agency with nationwide responsibilities, changes in the workforce—such as the retirement of management and senior employees—must be accounted and planned for to avoid undue disruption to Agency functions.

The need for succession and human capital planning was highlighted in the past year by the retirement of multiple senior Agency leaders. Planning ensures that institutional knowledge and experience are passed on, and the Agency is less dependent on specific individuals.

Workforce training and developing takes a significant investment of resources, but the use of several tools can ensure that FCA maintains a vital, experienced staff. For example, data analytics can help the Agency identify training gaps. Job sharing, rotational details, and micro-assignment opportunities can be used to promote career development. Mentoring programs can prepare employees for management positions.

Diversity is another important aspect of human capital. A diverse staff brings different perspectives to problem-solving, enriching the Agency's ability to regulate and supervise the System. The Agency must continually assess and deploy strategies to reach its goals for diversity and inclusion. It can do this by using various tools that identify and reduce potential barriers to diversity and inclusion, enhance outreach, evaluate the Agency's recruitment data, and heighten awareness through programs that support diversity and inclusion.

Agency Progress

FCA mandated telework for most of its workforce on March 16, 2020, and quickly pivoted to accomplishing its mission through the use of technology and telework protocols. FCA's Emergency Response Team, composed of the FCA Board and senior managers, meets regularly and continually monitors COVID-19 case trends, local school status, and government status at the Federal, state and local levels for its McLean, Virginia headquarters and four field offices in various parts of the United States. The Agency implemented several programs to promote employee safety and wellness during the pandemic, including a weather and safety leave program and an annual leave payout and restoration program. The Office of Agency Services created pulse surveys to gauge employee feedback on a variety of issues, including the Agency's response to the COVID-19 pandemic.

FCA developed a strategic framework to safely return its employees to the workplace, including continuing maximum telework flexibility for employees who are members, or are caring for dependents who are members, of a high-risk population, or who have childcare or transportation needs; conducting contactless temperature checks at all office locations; ensuring that employees wear a face covering and practice social distancing while in the office; and continuing building cleaning services and ensuring there are sufficient supplies (including hand soap and sanitizer) to support reopening FCA offices.

The Agency's Strategic Plan evidences a commitment to maintaining a diverse and capable workforce. Strategic objectives address maintaining a skilled, motivated workforce; ensuring adequate succession planning and knowledge transfer; and encouraging an engaged, diverse, and ethical workforce. FCA measures its success towards human capital goals based on employee outreach efforts and the results of the annual employee satisfaction surveys. The Agency also provides benefits and employee programs to attract and maintain a talented diverse workforce, including a Student Loan Repayment Program. FCA's learning office also provides numerous online and in-person training resources to support technical skills, work/life balance, and managerial competencies.

Relevant OIG Work

The OIG has performed several reviews that have touched upon the subject of human capital in recent years, including an inspection of FCA's implementation efforts for its 2017-2018 Fairness and Inclusiveness Assessment and an audit concerning the effectiveness of FCA's process of obtaining background investigations for contractor personnel. Other reviews include a benchmarking evaluation comparing the structure and organization of FCA's Office of Examination with comparable offices of other financial regulatory agencies, an inspection of FCA's travel compensation program, and an audit of the Agency's human capital planning. OIG plans to conduct an evaluation of the effectiveness of Agency programs in response to the COVID-19 pandemic.

CHALLENGE FIVE: *SECONDARY MARKET OVERSIGHT*

A significant management challenge for FCA is to ensure that it effectively and impartially regulates the Federal Agricultural Mortgage Corporation (Farmer Mac) through the Office of Secondary Market Oversight (OSMO).

Farmer Mac is a stockholder-owned, federally-chartered corporation. Farmer Mac was established by the federal government in 1988 to provide a secondary market for credit by increasing access to, and reducing the cost of, capital to American agriculture and rural communities. Although Farmer Mac is part of the FCS, its secondary market mission is unique among FCS institutions. Farmer Mac's customer base includes commercial and community banks, insurance companies, non-bank lenders, agricultural funds, rural utilities, and other FCS institutions.

OSMO examines, regulates, and supervises the activities of Farmer Mac to ensure its safety and soundness and the accomplishment of its public policy purpose as authorized by Congress. OSMO also ensures that Farmer Mac complies with applicable laws and regulations, and it manages FCA's enforcement activities with respect to Farmer Mac. Under the Farm Credit Act of 1971, as amended (Act), the OSMO Director reports directly to the FCA Board rather than the Chief Operating Officer. The Act also provides that the supervision of the powers, functions, and duties of Farmer Mac is performed, to the extent practicable, by personnel who are not responsible for the supervision of the banks and associations of the FCS. To fulfill its duties, OSMO uses examiners who also examine FCS banks and associations. Therefore, OSMO is challenged to ensure that it fulfills the oversight role free of conflicts of interest or undue influence from those also responsible for the supervision and regulation of the FCS banks and associations.

OSMO conducts the oversight and examination activities with a relatively small staff (4 employees with additional rotational staff), while balancing resources sourced from FCA's OE, which is responsible for supervision of FCS banks and associations. OSMO staff must have the necessary knowledge, skills, and training to understand the unique and complex mission, secondary market activities, and business model and capitalization of Farmer Mac. Further, because Farmer Mac is a publicly-traded company, OSMO staff must understand the market forces and reputational risks that can potentially affect Farmer Mac's safety and soundness. Other changing areas, such as the LIBOR phase out, will continue to increase the complexity of Farmer Mac. Advancements in data gathering, technology, and analytics that aid OSMO with risk measurement, management, and assessment, coupled with appropriate specialized training, can enhance FCA's ability to oversee Farmer Mac as it grows in scale and complexity. This will be particularly important in an environment that may present more challenges to farmers, ranchers, rural communities and their lenders. As the complexity of Farmer Mac increases, OSMO will need to ensure it maintains appropriate readiness to evaluate safety and soundness. To achieve its mission, OSMO may require increased resources and technical skills, which will present additional challenges for the Agency.

Farmer Mac has experienced many changes in its organizational structure, which includes new members of its executive management team that result in disruptions in Farmer Mac operations. OSMO's oversight role is made more difficult in ensuring the continued safety and soundness of Farmer Mac in the face of its large board representing diverse interests and the changes to its executive management.

In addition, the COVID-19 global pandemic provides an additional challenge to OSMO and Farmer Mac leadership given the needs of employees, safety concerns, and forward-looking business models. The pandemic presents an ever-changing environment that requires flexibility and agility in business. For OSMO, the COVID-19 pandemic increases the need for highly qualified examiners and analysts to maintain vigilant oversight during these unprecedented and volatile times.

Agency Progress

OSMO provides guidance and implements regulatory and other changes related to Farmer Mac. These changes are made in addition to OSMO's supervision and safety and soundness reviews of Farmer Mac. All FCA employees, including OSMO staff, were able to quickly transition to full-time telework status in March 2020 in response to the COVID-19 pandemic.

In anticipation of resource needs during the 2021 and 2022 examination cycle, OSMO added rotational staff. OSMO reports that its consulting arrangements can also provide highly qualified resources needed during the pandemic.

The FCA Board adopted Policy Statement 35 in January 2020, which provides the general strategy and direction of OSMO for the examination, regulation, and supervision of Farmer Mac. Policy Statement 35 also established OSMO reporting requirements to the FCA Board, including an annual oversight and examination plan and any proposed or amended regulations. OSMO also issued an IM outlining the 2020 examination focus areas as: capital, asset quality, management, earnings, liquidity, and sensitivity to interest rate risk.

As a result of the COVID-19 pandemic and national emergency, OSMO created and issued guidance documents to Farmer Mac. On March 24, 2020, OSMO issued a memorandum that encouraged Farmer Mac to prudently work with its lending and servicing partners to provide flexibility and assistance to borrowers experiencing financial challenges due to COVID-19. OSMO also developed an IM that specifically addressed Farmer Mac's position as a secondary market provider working with servicing partners to administer its Farm and Ranch portfolio.

In addition, OSMO enhanced its oversight of Farmer Mac through additional reporting requirements to ensure potential risks were monitored and identified. Since the COVID-19 outbreak was declared a national emergency, OSMO established daily reporting requirements for funding, liquidity, and investments and developed the weekly funding and market reports. Weekly reporting requirements of loan servicing actions related to COVID-19 were also established.

Relevant OIG Work

In 2018, the OIG completed an audit to assess staffing arrangements and the reporting process for OSMO. Our review included recommendations to improve OSMO's processes and increase transparency. The OIG plans to review other aspects of OSMO in future years.

Management's Response to Challenges Identified by FCA's Inspector General

Farm Credit Administration

1501 Farm Credit Drive
McLean, VA 22102-5090
(703) 883-4000

November 9, 2020

Ms. Wendy Laguarda
Inspector General
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Dear Ms. Laguarda:

We concur with your assessment of the management challenges described in your Oct. 9 letter. We value your recommendations in addressing these challenges and appreciate your summary of our continuing progress.

As you noted in your letter, the COVID-19 pandemic added complexities to these challenges, but we continue to operate effectively and efficiently, and the Farm Credit System remains financially sound. We are focused on our continuity of operations during this onging health crisis to accomplish our agency mission while ensuring the safety of all employees.

During FY 2020, we held regular risk committee meetings to assess, coordinate, and lead the agency's risk management efforts. Following the declaration of COVID-19 as a pandemic on March 11, 2020, our emergency response team has met more than a dozen times to review public health data and extend mandatory telework accordingly.

Throughout this fiscal year, we continued to enhance the quality of our data and data systems through our new Office of Data Analytics and Economics, which was created in November 2019. During the pandemic, this office has analyzed data regarding the impacts of COVID-19 on the farm economy and Farm Credit System. It has also provided our senior leadership team with the latest COVID-19 data at the national and regional levels.

The health and safety of our employees will continue to be our top priority, along with our mission to protect the safety and soundness of the Farm Credit System. Thank you for providing this analysis. We look forward to working with you in the year ahead.

Sincerely,

Glen R. Smith
Board Chairman and CEO

Summary of Financial Statement Audit and Management Assurances

FCA has no reported material weakness, and we are in conformance with the Federal Managers' Financial Integrity Act (FMFIA).

Table 8. Summary of financial statement audit

Audit opinion: Unmodified
Restatement: No

Material weaknesses	Beginning balance	New	Resolved	Consolidated	Ending balance
Total material weaknesses	0	0	0	0	0

Table 9. Summary of management assurances

Effectiveness of internal control over financial reporting (FMFIA § 2)
Statement of assurance: Unmodified

Material weaknesses	Beginning balance	New	Resolved	Consolidated	Reassessed	Ending balance
Total material weaknesses	0	0	0	0	0	0

Effectiveness of internal control over operations (FMFIA § 2)
Statement of assurance: Unmodified

Material weaknesses	Beginning balance	New	Resolved	Consolidated	Reassessed	Ending balance
Total material weaknesses	0	0	0	0	0	0

Conformance with federal financial management system requirements (FMFIA § 4)
Statement of assurance: Federal systems conform

Nonconformances	Beginning balance	New	Resolved	Consolidated	Reassessed	Ending balance
Total nonconformance	0	0	0	0	0	0

Compliance with Federal Financial Management Improvement Act (FFMIA § 803[a])
We are not required to report under this act.

Payment Integrity Information Act Reporting

Background

The Payment Integrity Information Act of 2019 repealed the following legislation while retaining and consolidating certain reporting requirements:

- Improper Payments Information Act of 2002
- Improper Payments Elimination and Recovery Act of 2010
- Improper Payments Elimination and Recovery Improvement Act of 2012
- Fraud Reduction and Data Analytics Act of 2015

The new Payment Integrity Information Act continues to require agencies to report annual improper payment estimates for OMB-designated high-priority programs and programs that are susceptible to significant improper payments. A program is high priority if it has $2 billion in estimated improper payments. A program is deemed susceptible to significant improper payments if its improper payments amount to more than $10 million and more than 1.5% of all payments made under that program, or if the program has more than $100 million in estimated improper payments.

Detailed information on improper payments for the U.S. government is available online at www.paymentaccuracy.gov. FCA data are not included on this website because we do not have any programs that were designated by OMB as high priority, and our risk assessments did not identify any programs or activities that were susceptible to significant improper payments. Thus, we are not required to perform any statistically valid estimates of improper payments or report on root cause identification, corrective actions, or reduction targets.

Risk assessments

In accordance with legislative requirements and OMB guidance, we conduct risk assessments at least once every three years to identify programs that may have a significant risk of improper payments. We perform our assessments on contract payments, purchase cards, travel cards, claims and vouchers, and payroll. Based on our last risk assessment for the period ended Sept. 30, 2017, we determined that our programs and activities are low risk and are not susceptible to significant improper payments. We will complete the next assessment during the first quarter of FY 2021 for the period ended Sept. 30, 2020.

Actions to recover improper payments

The Payment Integrity Information Act requires agencies to conduct payment recovery audits for each program and activity that expends $1 million or more annually if conducting the audits would be cost-effective.

We have determined that a recovery audit is not cost-effective for our agency because of the low risk for our programs. The benefits of any recovered amounts would not exceed the cost of a recovery audit program. As required by OMB A-123, Appendix C, we have notified both OMB and our inspector general of our determination that a recovery audit is not cost-effective for FCA. OMB concurred with our assessment.

The Department of the Treasury's Bureau of the Fiscal Service, our service provider, has internal control procedures to ensure that payments are made properly. One such procedure is the post-payment audit in which the Bureau of the Fiscal Service reviews a random sample of 10% of invoices processed each month. In addition, the invoice approvers at our agency review payments before they are processed to ensure payments are appropriate. We also work closely with the Bureau of the Fiscal Service so that payroll and charge card payments are reviewed and monitored to ensure payments are complete, accurate, and timely. Additionally, we perform routine operational reviews and oversight to help identify improper payments.

For FY 2020, we identified improper payments amounting to $5,153, or 0.01% of total outlays for the year. The improper payments were a combination of travel and vendor overpayments. We have collected all overpayments.

Actions taken to address auditor recovery recommendations

On May 15, 2020, our inspector general published her annual report on whether FCA complied with reporting requirements for improper payments. The report concluded that we were in compliance and there were no recommendations.

Do Not Pay initiative

The U.S. Department of the Treasury's Do Not Pay system is the legislatively mandated and OMB-designated source of centralized data and analytic services to help agencies verify eligibility and identify and prevent potential fraud, waste, and abuse associated with improper payments. We work closely with the Bureau of the Fiscal Service to ensure that all payments are proper and paid to valid vendors. The Bureau of the Fiscal Service continually monitors the vendor file in the financial system and cross-checks it against the various Do Not Pay databases. This process serves both the prepayment and the pre-award review requirement to ensure that only eligible recipients are paid. To date, we have not had any vendors with a match to the Do Not Pay databases.

Fraud reduction report

The Payment Integrity Information Act of 2019 requires agencies to use a risk-based approach to design and implement financial and administrative control activities to mitigate identified fraud risk and improper payments. We maintain effective processes and internal control systems to detect and prevent potential fraud. Whether an act is in fact fraud is a determination made through the judicial or other adjudicative system and is beyond management's professional responsibility for assessing the likelihood and impact of fraud risk.[1]

In accordance with guidance from OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, and the fraud risk principle in the Standards for Internal Control in the federal government published by the Government Accountability Office (GAO), we have implemented preventative and detective controls to identify and mitigate the risks of potential fraud and improper payments in the following areas:

- Employee payments (including payroll)
- Contract/vendor payments, purchase cards
- Travel charge cards

1 Government Accountability Office. (2014). *Standards for Internal Control in the Federal Government*. (GAO Publication No. 14-704G). Washington, D.C.: U.S. Government Printing Office.

- Travel expense reimbursement
- Claims/vouchers
- Access, use, or release of sensitive agency data

We evaluate the design and operating effectiveness of our internal controls in accordance with our annual Management Control Plan. Additionally, we conduct a biennial assessment of our system of internal controls in accordance with the principles described in GAO's Standards for Internal Control in the Federal Government.

Through our internal assessments, we monitor and evaluate financial and administrative controls to ensure that our offices are preventing, detecting, and responding to potential fraud. We assess whether appropriate segregations of duties are established to mitigate potential fraud. We also assess whether appropriate reconciliations and internal reviews are conducted to identify potential fraud and/or improper payments.

No instances of fraud in our programs have surfaced through management's internal identification and reporting mechanisms or from internal and external auditors.

Civil Monetary Penalty Adjustment for Inflation

Under the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, agencies must make annual inflation adjustments to civil monetary penalties and report on these adjustments. Table 10 below shows the adjustments FCA has made this year.

Table 10. Annual inflation adjustments of civil monetary penalties

Statutory authority	Reason for penalty	Year enacted	Latest year of adjustment (via statute or regulation)	Current penalty (dollar amount)	Location for penalty update details
Section 5.32(a) of the Farm Credit Act of 1971, as amended	Violation of a final order	1985	2020	$2,404	85 FR 6023
Section 5.32(a) of the Farm Credit Act of 1971, as amended	Violation of the act or regulation	1985	2020	$1,071	85 FR 6023
Section 102(f) of the Flood Disaster Protection Act of 1973	Pattern or practice of committing violations of the National Flood Insurance Program	1994	2020	$2,226	85 FR 6023

Additional Information

Copies of this report are available on the **Farm Credit Administration**'s website at www.fca.gov/about/reports-publications.

To request print copies of this report or earlier editions, please contact the Office of Congressional and Public Affairs at the email address or mailing address provided below. You may also call 703-883-4056 to request a copy.

We would like to hear from you! What did you think of our FY 2020 Performance and Accountability Report? Did we present information in a way you could use? How can we improve our report in the future? Any feedback you have time to provide would be most appreciated. Please email your comments to info-line@fca.gov.

Or send written comments to the following address:

Office of Congressional and Public Affairs
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Thank you!

The **Federal Farm Credit Banks Funding Corporation**, with the support of the System banks, prepares the financial press releases and the System's annual and quarterly information statements, which contain the System's combined financial statements. Copies are available on the Funding Corporation's website at www.farmcredit-ffcb.com or from

Federal Farm Credit Banks Funding Corporation
10 Exchange Place
Suite 1401
Jersey City, NJ 07302
Telephone: 201-200-8000

The **Farm Credit System Insurance Corporation** publishes an annual report. Copies are available on FCSIC's website at www.fcsic.gov or from

Farm Credit System Insurance Corporation
1501 Farm Credit Drive
McLean, VA 22102
Telephone: 703-883-4380

In addition, FCS banks and associations are required by regulation to prepare annual and quarterly financial reports. Copies of these documents are available for public inspection at FCA headquarters in McLean, Virginia.

Copies are available from
Office of Congressional and Public Affairs
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1120/100