

Fact Sheet

Farm Credit Administration
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Fact Sheet on Proposed Rule to Amend Regulations Related to Lending and Leasing Limits and Risk Management

The Farm Credit Administration (FCA) Board approved a proposed rule to ensure that Farm Credit System (FCS or System) institutions manage concentration risks in their lending and leasing portfolios. Managing concentration risk involves effectively measuring, limiting and monitoring exposures. FCA is proposing to change its rules in sections 614.4352, 614.4353, 614.4354, and 614.4356 to accomplish all of the following:

1. Lower the lending and leasing limit on loans and leases to a single borrower or lessee from the current limit of 25 percent to no more than 15 percent of an institution's lending and leasing limit base. The revised limit would apply to all System institutions with long-, intermediate-, and short-term lending authority under the Farm Credit Act of 1971, as amended.
2. Remove § 614.4354 pertaining to Federal Land Bank Associations since such associations have all been converted to direct-lending institutions.
3. Require the establishment of System institution board policies that would include all of the following elements:
 - a. A purpose and objective statement
 - b. Clearly defined and consistently used terms
 - c. Internal controls that define those authorities delegated to management, define those authorities retained for board action, address exceptions to the policy, and describe reporting requirements
 - d. Quantitative factors to measure the following:
 - i. Loan concentrations with a single borrower
 - ii. Loan concentrations with borrowers in a single industry sector
 - iii. Loan concentrations with borrowers in a single counterparty
 - iv. Other concentration risks that may be unique to the institution because of its territory, the nature and scope of its activities, and its risk-bearing capacity

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4. Require all System institutions (including those with title III cooperative lending authority) to establish written policies within six months from the effective date of the regulations to effectively measure, limit and monitor exposures to concentration risks resulting from the institutions' lending and leasing activities.

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