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. No less than once every 18 months, OE prepares and presents a Report of Examination to each FCS institution and the National Cooperative Bank. OE also manages and executes the Agency's enforcement authorities with FCS institutions, as needed.

The Chief Examiner provides overall direction and coordinates the oversight, examination, and supervisory programs nationally. The Deputy Director assists the Chief Examiner with these activities.

OE has about 180 employees in five divisions that report to the Chief Examiner. 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 has four primary objectives reflecting our areas of focus and priority:

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 2017 include reacting to intensifying credit risk and implementing new capital regulations along with underlying internal controls.
    - OE uses supervisory strategies and enforcement authorities to remedy weaknesses, when necessary.

2. Ensure the System fulfills its public mission as a GSE by meeting the changing needs of agriculture and rural America.
    - OE ensures the System is providing its shareholders, taxpayers, and others with reputable evidence that it is striving to provide credit and related services to all eligible borrowers.
    - OE's examinations will 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 more tenured staff through the Career Path, Specialist and Leadership Development Programs.
4. Maximize operational efficiency and effectiveness through technology, infrastructure support, and examination guidance.
    - OE will intensify technology use to improve operational efficiency and effectiveness through modernized examination guidance and tools.
    - OE is increasing the use of technology (e.g., videoconferencing, teleconferencing) for examination-related activities.

OE reports regularly to the FCA Board in accordance with Policy Statement 53 which states:

Annually, the Chief Examiner provides the Board an annual oversight and examination plan (plan) for approval that:

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

The Chief Examiner reports semi-annually to the Board on the status of, and proposed 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 help rural communities and agriculture grow and thrive by financing vital rural infrastructure and communication services, and providing farmers and agribusinesses with the capital they need to be successful.

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.

Nearly 80 Farm Credit associations are provided funding through one of four regional wholesale banks: AgFirst, AgriBank, CoBank and 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 Insurance Corporation. FCA is Farm Credit's regulator.

Farm Credit's Customers

- Agricultural Producers
- Agricultural Cooperatives
- Agribusinesses
- Rural Infrastructure Providers
- Young, Beginning, and Small Farm Program
- 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, 2016)

- $315 billion in total assets (4% moderate growth)
- $244 billion in gross loans and nearly 500,000 borrower-owners
- Loan quality continues to be good with 94.7% acceptable classifications
- Some future concerns with cash grain, dairy and protein sectors
- $2.2 billion solid net income
- Capital as a percentage of total assets strong at 16.3 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