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:
    - Timothy Buzby—President and Chief Executive Officer
    - Curt Covington—Chief Operating Officer
    - Dale Lynch—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

- $17.2 billion in Program Business Volume as of June 30, 2016
- Business activities increase lender competition for 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
- Farmer Mac network includes loans originated by approximately 900 different financial institutions across the nation
- 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