Farm Credit Administration

Anniversary Edition

1993 Annual Report

CHAIRMAN OF THE FARM CREDIT ADMINISTRATION
1501 Farm Credit Drive
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Dear Reader:

On behalf of the Farm Credit Administration Board, I am pleased to report that during 1993 the financial condition of the Farm Credit System (FCS or System) improved for the sixth consecutive year. For the first time since 1982, System annual earnings exceeded $1 billion, increasing 23.4 percent during the year to $1.2 billion for the year ended December 31, 1993. The System's overall capital position also continued to improve due to strong actions to retain those earnings. Total capital grew 15.2 percent, from $7.2 billion on December 31, 1992, to $8.3 billion on December 31, 1993.

Gross loans of System institutions remained relatively stable during 1993, increasing 2.87 percent. More important, however, was the continued improvement in the quality of the loan portfolio. Adversely classified (substandard, doubtful, and loss) loans averaged 9.1 percent of total loan volume at year end 1993, compared with 12 percent a year earlier. Another measure of asset quality, nonaccrual loan volume, declined 25 percent in 1993, from $1.9 billion to $1.5 billion.

As the institutions of the Farm Credit System strive to maintain financial strength to provide their borrowers with dependable sources of competitively priced credit and financial services, the Farm Credit Administration will strive to provide a regulatory environment that will facilitate those objectives.

Sincerely,

Billy Ross Brown

Billy Ross Brown
Chairman

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Preface

Farm Credit Administration

The Farm Credit Administration (FCA) is an independent agency in the executive branch of the U.S. Government responsible for regulating and examining the banks, associations, and related entities that constitute the Farm Credit System (FCS). 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 (Act). FCA promulgates regulations to implement the Act and examines FCS institutions for compliance with applicable statutes, regulations, and safe and sound banking practices. If an institution is found to be in violation of these statutes or regulations or is operating in an unsafe or unsound manner, the Agency has several enforcement options at its disposal to bring about corrective action. In addition, FCA annually examines the National Consumer Cooperative Bank (NCCB) and its subsidiary, the NCCB Development Corporation, and presents Reports of Examination to the Banking Committees of the U.S. Senate and the House of Representatives.

The Agency's headquarters is in McLean, Virginia. FCA also has regional or field examination offices at its headquarters location and in Albany, New York; Marietta, Georgia; Denver, Colorado; Dallas, Texas; Sacramento, California; St. Louis, Missouri; Oklahoma City, Oklahoma; and Bloomington, Minnesota.

Farm Credit System

The Farm Credit System is a network of borrower-owned cooperative financial institutions and related service organizations that serves all 50 states and the Commonwealth of Puerto Rico. These institutions specialize in providing credit and related services to farmers, ranchers, and producers or harvesters of aquatic products. Loans may be made to finance certain processing and marketing activities of these borrowers. Loans also may be made to rural homeowners, certain farm-related businesses, and agricultural, aquatic, and public utility cooperatives.

On December 31, 1993, there were 253 active lending institutions in the System, including the following:

- Ten Farm Credit Banks (FCBs), which make direct long-term real estate loans through 74 Federal Land Bank Associations (FLBAs) and provide loan funds to 70 Production Credit Associations (PCAs), 66 Agricultural Credit Associations (ACAs), and 30 Federal Land Credit Associations (FLCAs). PCAs make short- and intermediate-term loans; ACAs make short-, intermediate-, and long-term loans; and FLCAs make long-term loans.

- Three Banks for Cooperatives (BCs), which make loans of all kinds to agricultural, aquatic, and public utility cooperatives.

The following FCS entities also are examined and regulated by FCA:

- The Federal Agricultural Mortgage Corporation (Farmer Mac), which provides guarantees for the timely payment of principal and interest on securities representing interests in, or obligations backed by, pools of agricultural real estate loans.

- The Federal Farm Credit Banks Funding Corporation (Funding Corporation), which is an entity owned by the FCBs and BCs that markets the securities sold by the banks to raise loan funds.

- The Farm Credit Leasing Services Corporation, which provides equipment leasing services to eligible borrowers, including agricultural producers, cooperatives, and rural utilities.

Farm Credit System Insurance Corporation

The Farm Credit System Insurance Corporation (FCSIC) was established by the Agricultural Credit Act of 1987 as an independent U.S. Government–controlled corporation. FCSIC's purpose is to ensure the timely payment of principal and interest on insured notes, bonds, and other obligations issued on behalf of FCS banks. By ensuring the repayment of FCS securities to investors, FCSIC helps to maintain a dependable source of funds for the farmers, ranchers, and other borrowers of the Farm Credit System. FCA Board members concurrently serve as the board of directors for the FCSIC; however, the FCA Board chairman cannot serve as the chairman of the FCSIC board.

FCS Building Association

The FCS Building Association (FCSBA) is a U.S. Government–chartered cooperative association formed in 1981 by the FCS banks. FCSBA is responsible for acquiring, managing, and maintaining facilities to house the headquarters and field offices of FCA. Although FCSBA is privately owned, exclusive oversight of its activities is vested in the FCA Board.

Farm Credit Administration Organization

FCA Board

FCA is managed by a full-time, three-person board whose members are appointed by the President with the advice and consent of the U.S. Senate. Board members serve a 6-year term and may not be reappointed after serving a full term or more than 3 years of a prior member's term. The President designates one of the members as Chairman of the Board. The Chairman also serves as the Agency's chief executive officer. At year end 1993, there was one vacancy on the FCA Board, following the September 8, 1993, resignation of Harold B. Steele, who had served as Chairman since October 10, 1989.

Billy Ross Brown was designated Chairman of the FCA Board by President Bill Clinton on August 31, 1993. He has served as a member of the Board since October 30, 1990, when he was appointed to a term that expires October 13, 1994. He also served as Chairman of the Farm Credit System Insurance Corporation from December 18, 1990, to June 11, 1992. He has extensive experience in agricultural lending, having served as a director of Production Credit Associations in the Jackson (Mississippi) Farm Credit District for 20 years, nine of them as chairman of the board of directors of the Oxford (Mississippi) Production Credit Association. He is a prominent farmer, cattleman, and conservationist; has been active in a number of state and national agricultural and conservation organizations; and has been honored by the Mississippi Association of Conservation Districts and the U.S. Forest Service. In 1985, he was inducted into the Hall of Fame of the Mississippi Agriculture and Forestry Museum. Mr. Brown is a graduate of the University of Mississippi, where he earned a bachelor's degree in business administration.

Gary C. Byrne was appointed to the FCA Board by President George Bush on December 3, 1991, to a term that expires May 21, 1996. He also serves as Chairman of the Farm Credit System Insurance Corporation. Prior to joining FCA, he served as Administrator of the Rural Electrification Administration (REA) and Governor of the Rural Telephone Bank, both agencies of the U.S. Department of Agriculture. As REA Administrator, he managed an agency that approved more than $62 billion in loans to 2,116 rural electric and telephone utilities in 47 states and several U.S. territories and possessions. A native of California, Mr. Byrne served as chairman of the Bank of Alex Brown in Sacramento and also as President and chief executive officer of the Alex Brown Financial Group, a multibank holding company. He holds a B.A. from the University of Redlands and a Ph.D. from the University of North Carolina.

Officials

Dorothy L. Nichols	Chief Operating Officer
Jean Noonan	General Counsel
Eldon W. Stoehr	Inspector General
David C. Baer	Chief Examiner and Director, Office of Examination
Suzanne J. McCrory	Director, Office of Secondary Market Oversight
Michael L. Young	Director, Office of Special Supervision and Corporate Affairs
Larry W. Edwards	Director, Office of Resources Management
Christine D. Quinn*	Acting Director, Office of Congressional and Public Affairs
Curtis M. Anderson	Secretary to the FCA Board
Gail Hill	Manager, Equal Employment Opportunity

* *Mary Kay Thatcher served as Director of the Office of Congressional and Public Affairs until August 31, 1993.*

Office Structure

FCA Board

- Responsible for Agency policy, regulation promulgation, and enforcement activities.
- Approves regulations to implement the Farm Credit Act of 1971, as amended.
- Provides for the examination and supervision of the Farm Credit System (FCS), including the Federal Agricultural Mortgage Corporation (Farmer Mac).
- Oversees the FCS Building Association.

Secretary to the Board

- Processes all matters that go to FCA Board members.
- Ensures compliance with various public disclosure laws.
- Manages the day-to-day operations of the Office of the Board.

Office of the Chief Operating Officer

- Guides the day-to-day operations of the Agency.
- Supervises development and controls implementation of the Agency budget and operating plan.
- Serves as liaison to the FCA Board for development of regulations and Board policies.

Office of General Counsel

- Provides FCA with legal services and support for supervision and examination of FCS institutions; development and promulgation of regulations and legislative activities; prosecution and defense of civil litigation; enforcement of applicable laws and regulations; implementation and administration of receiverships; oversight of Farmer Mac; and general corporate, personnel, and administrative matters and ethics.

Office of Inspector General

- Conducts independent audits, inspections, and investigations to monitor FCA programs and operations and detect potential fraud, abuse, and mismanagement.
- Provides reports to FCA's Chairman, Board, managers, and Congress.
- Reviews legislation and regulations and makes recommendations in semiannual reports to FCA's Chairman, Congress, and the public (upon request).

Office of Examination

- Provides regulation and oversight of FCS through examination, supervisory programs, and regulatory standards that promote safe and sound operations and ensure compliance with applicable laws and regulations.
- Exercises examination and oversight programs for a portfolio of FCS institutions through two regional offices and nine field offices.
- Manages a program of regulatory and examination policy formulation and supports key headquarters operations.

Office of Secondary Market Oversight

- Provides for the general supervision of the safe and sound performance of Farmer Mac, using examinations, general rulemaking, and enforcement authorities.

Office of Special Supervision and Corporate Affairs

- Makes recommendations to the FCA Board regarding corporate restructuring among FCS institutions, for initiating enforcement actions against problem FCS institutions and for assessing the overall risk environment for planning and regulatory purposes.
- Conducts analyses of financial and economic conditions with potential impact on FCS institutions and monitors trends in their performance.
- Fulfills the Agency's responsibilities under Freedom of Information and Privacy Acts.

Office of Resources Management

- Provides administrative management and services to the Agency, including fiscal, human, information, and administrative resources and contracting and procurement.
- Serves as liaison to the FCS Building Association.

Office of Congressional and Public Affairs

- Coordinates and disseminates Agency information to Congress; other Federal agencies; FCA's various publics, including FCS institutions; and Agency employees.
- Develops and monitors legislation pertinent to FCA and FCS, serves as the Agency's congressional liaison, and prepares testimony for the Chairman and other Agency officials.

Equal Employment Opportunity

- Provides program leadership in efforts to achieve and manage a diverse workforce.
- Encourages awareness of and respect for diversity in the workplace.
- Focuses on preventing employment discrimination and on processing discrimination complaints.

A Brief History of the Farm Credit Administration

Since its creation in 1933, FCA has played a major role in the evolution of American agriculture as the world's leading producer of food and fiber. In its early years, the Agency had a vastly different role from the arm's-length regulator that it is today. It administered credit programs and provided other Government assistance designed to address the economic crisis in rural America.

The Agency was not created until 1933, but its roots date back to the turn of the century. When the director of the census declared the frontier closed in 1890, the cost of farm properties began to rise. Available credit was geared to the needs of business and industry, and even if a commercial bank was willing to make agricultural real estate loans, interest rates were prohibitively high and the average term was three to five years. Farmers had no assurance these short-term loans would be renewed, and the cost of such renewals added to the total burden.

A Country Life Commission, appointed in 1908 by President Theodore Roosevelt, studied the problems facing the nation's predominantly rural population. On the basis of 30 hearings and questionnaires sent to half a million farm people, the commission recommended the development of more cooperatives and a cooperative agricultural credit system. Over the next few years, several presidential and congressional studies examined rural credit systems in Europe. During this period, 70 different measures, supported by a variety of factions, were introduced in Congress to establish some type of rural credit system.

No agreement could be reached, so in 1915 the issue was referred to a Joint Committee on Rural Credits. Compromise legislation, the Farm Loan Act of 1916, placed supervision of 12 Federal Land Banks (FLBs) under a bureau in the Treasury Department. The 1916 Act also made it possible for farmers to form what were then called National Farm Loan Associations (later known as Federal Land Bank Associations) to service the loans made by the banks.

The FLBs started doing business during World War I, an era of high prices for farm products and farm land. In 1920–21, however, the United States experienced a sharp recession, and the prices of farm products fell precipitously from their wartime highs. After some recovery, farm prices and farm income started a slow decline that lasted for more than a decade.

The Farm Loan Act of 1916 did not address the problem of giving farmers a source of operating credit. Congress responded to this with the Agricultural Credits Act of 1923, which among other things established the Federal Intermediate Credit Banks (FICBs). The FICBs were to provide a new flow of funds from the money markets to rural commercial banks, but this role never materialized. By 1932 only 246 commercial banks had made use of the FICBs, and only 28 still had active accounts.

By the fall of 1932, farm prices had hit all-time lows. Hundreds of thousands of farmers were finding it impossible to produce enough net income to pay their debts. Shortly after Franklin D. Roosevelt was elected President, Henry Morgenthau, Jr., described in his diary the situation in rural America facing the new President: "The smell of revolution was in the air. We had to do something about farm prices and about farm credit and we had to act fast. This became a top priority on that day in 1933 when Franklin Roosevelt became President."

Soon after his inauguration, President Roosevelt appointed Morgenthau Chairman of the Federal Farm Board. On March 27, 1933, Roosevelt issued an Executive order, effective May 27, 1933, making the Chairman of the Federal Farm Board the Governor of the newly created FCA. The order also established FCA as an independent credit agency and consolidated under it all the scattered boards and bureaus that had implemented various measures of agricultural credit. The Agency was designed to meet every credit need of farmers, ranchers, and their cooperative organizations.

The new President then signed the Emergency Farm Mortgage Act of 1933, which contained provisions to halt the wave of farm foreclosures by refinancing the debt. When President Roosevelt told farmers to write or wire Washington if their farms were threatened with foreclosure, the response was 43,000 wires, letters, and phone calls in less than four months. FCA rushed to ask creditors to wait and see if the farms could be refinanced and expanded its appraisal staff assigned to FLBs from 200 to 5,000 during 1933.

About a month after the Emergency Farm Mortgage Act became law, Congress passed the Farm Credit Act of 1933. It established the 12 Production Credit Corporations (PCCs), whose job was to capitalize and supervise local Production Credit Associations (PCAs), which provided short-term financing to farmers.

The Farm Credit Act also established the 12 district Banks for Cooperatives (BCs) and the Central Bank for Cooperatives. FCA had acquired a staff of experienced cooperative specialists from the Federal Farm Board who were well acquainted with farmer cooperatives and their problems, so the Agency played a major role in the organization of the BCs. The Central Bank for Cooperatives, which was to make loans primarily to national and large regional cooperatives, was also staffed largely by FCA officials until 1953.

In 1934 the Agency was still grappling with the farm crisis when Congress expanded its tasks. In an effort to ease the acute financial problems of workers throughout the country, Congress authorized the chartering of Federal credit unions. The job of chartering, examining, and supervising Federal credit unions was given to FCA because of its experience with credit cooperatives. When oversight authority for credit unions was turned over to the Federal Deposit Insurance Corporation in May 1942, more than 4,000 credit unions had been chartered and were examined annually by FCA.

In the spring of 1939, President Roosevelt issued an Executive order ending FCA's independent agency status and placing it in the U.S. Department of Agriculture (USDA). During the 14 years FCA was part of USDA, grassroots influence on policy formation began. A national farm organization credit policy committee devoted a large share of its efforts to discussing various proposals for insulating FCA from any political influence. The result was the Farm Credit Act of 1953, which again made FCA an independent agency and created a part-time, policy-making Federal Farm Credit Board with the power to appoint a Governor to administer its policies. This action brought borrower control of the FCS to the national level and also accelerated the changeover to the grassroots approach to policy making.

Prosperity returned to American farmers during World War II and in the postwar period. Farmers made a determined effort to pay off Government capital to avoid new threats of Government ownership of FCS. The FLBs repaid their debt by 1947. The FICBs, PCAs, and BCs achieved farmer ownership in 1968.

The Farm Credit Act of 1971 allowed FCS to expand rapidly, but the law did not provide the necessary authorities to ensure that FCS institutions operated safely and soundly. By 1985 FCS reported losses of $2.7 billion, and it became apparent that Federal financial assistance would be needed. Congress responded by enacting two pieces of legislation that brought great change to FCA and FCS. The Farm Credit Amendments Act of 1985 gave FCA enforcement authorities similar to those of other Federal financial regulatory agencies. It also abolished the 13-member, part-time Federal Farm Credit Board and replaced it with a three-member, full-time, presidentially appointed board. Henceforth, FCA was to operate as an arm's-length regulator. The Agricultural Credit Act of 1987 authorized a Government-guaranteed line of privately financed assistance to stressed FCS institutions, thus producing a workable solution to the financial problems of FCS.

Historical Highlights

1916

The Federal Farm Loan Act provided for establishment and initial Government capitalization of 12 FLBs; authorized farmers to form National Farm Loan Associations to process and service the long-term agricultural real estate loans made by FLBs; and established the Federal Farm Loan Board within the Treasury Department to oversee operations of the institutions.

1917

The first FLB and Federal Land Bank Association (FLBA) were chartered.

1923

The Agricultural Credits Act provided for establishment and initial Government capitalization of the 12 FICBs to discount the short- and intermediate-term notes of farmers made by commercial banks, livestock loan companies, and thrift institutions.

The Fiscal Agency (now the Federal Farm Credit Banks Funding Corporation) was established to issue debt on behalf of FLBs and FICBs in the national capital markets.

1925

FLB loans outstanding reached the $1 billion mark.

1933

FCA was established as an independent agency by Executive order of President Franklin D. Roosevelt, consolidating all the scattered boards and bureaus that had implemented various agricultural credit measures.

The Emergency Farm Mortgage Act provided financing to help stem wholesale foreclosures on farm properties by FLBs.

The Farm Credit Act authorized farmers to organize PCAs, which could discount notes with FICBs, and provided for establishment and initial Government capitalization of 13 BCs to provide credit of all kinds to marketing, supply, and service cooperatives.

1934

The Federal Credit Union Act authorized the organization of Federal credit unions under charters issued by the FCA Governor, subject to examination and regulation by FCA.

1939

FCA became an agency within USDA under the Reorganization Act of 1939.

1942

FCA moved its headquarters from Washington, D.C., to Kansas City, Missouri, for the duration of World War II. Responsibility for chartering and supervising Federal credit unions was transferred by Executive order to the Federal Deposit Insurance Corporation.

1947

FLBs became privately owned by borrower-owned FLBAs after Government–owned capital and paid-in surplus were paid to the U.S. Treasury.

1953

The Farm Credit Act reestablished FCA as an independent agency responsible for supervising, regulating, and examining FCS institutions and created the Federal Farm Credit Board, a 13-member, part-time board appointed by the President from candidates elected by FCS institutions, to serve as the Agency's policy-making body.

1968

The remaining Government capital in the BCs, FICBs, and PCAs was retired, making FCS institutions completely borrower-owned.

1971

The Farm Credit Act was enacted, recodifying all previous acts governing the FCS, eliminating provisions relating to Government capitalization, and liberalizing lending authorities of the BCs and FLBs. It also authorized loans to rural home owners and farm-related businesses, producers and harvesters of aquatic products, lease financing, and financially related services.

1975

The proportion of farmer members necessary for rural utility cooperatives to be eligible to borrow from BCs was lowered from 80 to 60 percent.

1978

PCA loan terms for producers and harvesters of aquatic products were extended from seven to 15 years.

1980

The Farm Credit Act Amendments expanded and updated the lending and related powers of FCS banks and associations, adding authority to finance basic processing and marketing activities of farmers; authorized BCs to engage in international lending transactions benefiting cooperatives; and expanded FICB authority to discount loans from financial institutions other than FCS institutions.

1985

The Farm Credit Amendments Act replaced the Federal Farm Credit Board with a three-member, full-time board appointed by the President; gave FCA enforcement authorities similar to those of other Federal regulators of financial institutions; created the Farm Credit System Capital Corporation to provide technical and financial assistance to troubled FCS institutions and their borrowers; authorized Federal financial assistance upon certification by FCA that FCS institutions had used their available capital and reserves; and modified statutory provisions governing borrower rights.

1986

The Farm Credit Act Amendments allowed FCS institutions, on a case-by-case basis and with FCA approval, to use regulatory accounting practices to capitalize and amortize over a period of up to 20 years high-cost debt and certain extraordinary loan losses, permitting some institutions to continue to operate at capital levels that otherwise would have required FCA to liquidate them.

1987

The Agricultural Credit Act abolished the FCS Capital Corporation and established the Farm Credit System Assistance Board to administer up to $4 billion in assistance provided by 15-year federally guaranteed bonds issued by the Farm Credit System Financial Assistance Corporation; mandated the merger of FLBs and FICBs in each district and expanded other merger authorities; authorized FLBs to transfer direct lending authority to FLBAs; authorized institutions to terminate FCS status; expanded borrower rights provisions; established the Farm Credit System Insurance Corporation to insure consolidated and Systemwide debt issued by FCS banks, act as receiver for FCS institutions, and provide financial assistance to troubled FCS institutions; and established Farmer Mac to facilitate a secondary market in agricultural real estate loans.

1990

The Food, Agriculture, Conservation, and Trade Act authorized BCs to make water treatment and waste disposal loans in rural communities; authorized Farmer Mac to pool and securitize Farmers Home Administration guaranteed loans; and clarified FCA regulatory authority over Farmer Mac.

1991

The Food, Agriculture, Conservation, and Trade Act Amendments created the Office of Secondary Market Oversight within FCA to administer the Agency's regulation of Farmer Mac; required prompt corrective action by the Agency in cases of Farmer Mac capital shortfalls; authorized Farmer Mac to issue debt to purchase its guaranteed securities; and authorized BCs to finance, for a 5-year period, agricultural exports to republics of the former Soviet Union and emerging democracies if loans are 95 percent federally guaranteed.

1992

The Farm Credit Banks and Associations Safety and Soundness Act provided for a board of directors for the Farm Credit System Insurance Corporation separate from the FCA Board, effective January 1, 1996; clarified statutory provisions governing repayment of financial assistance; expanded BCs participation authorities; and provided for merger of the FICB of Jackson with an FCB.

Farm Credit Administration Performance Report

FCA Board Activity

The FCA Board operates under the Government in Sunshine Act, and meetings are generally open to the public. During 1993, the Board held 20 meetings. Three were completely closed to the public, and portions of 13 others were closed. When joint deliberation is deemed unnecessary, the Board has the option of taking action through written ballot or notational vote. During the year, notational vote was used for action on 86 matters.

In addition to setting policy, promulgating various regulations, overseeing the Agency's examination and enforcement activities, and reviewing various merger and other prior approval requests, the FCA Board is responsible for general oversight of the Agency's operations. At the Board's direction, Agency staff undertook a review of FCA orders relating to actions of Farm Credit System (FCS) institutions and administrative matters within the Agency. As a result, 376 outdated orders were eliminated. Of the 41 orders that remained in effect, 26 dealt with chartering of FCS institutions and amendments to charters, and 15 dealt with delegations and designations signed by the Chairman or CEO.

The Board also submitted comments to the Department of Housing and Urban Development (HUD) on a proposed regulation that would have eliminated the FCS's long-standing exemption from certain provisions of the Real Estate Settlement Procedures Act (RESPA). RESPA requires disclosure of various real estate settlement costs for residential property. Rural housing loans made by FCS institutions have been subject to RESPA since the law was enacted in the 1970s; however, loans secured by real property of 25 acres or more were exempt. The exemption was expressly intended to exclude from RESPA's coverage those loans made for agricultural purposes, even if the real property securing the loan included a residential dwelling. The FCA Board's comments supported reinstating the agricultural exemption.[1]

During 1993, two studies initiated by the Board—one addressing competition within FCS and the other focusing on potential risks facing FCS—were conducted by Agency staff. The competition study was designed to gather information that the Board could use in assessing its current policy. The risk-assessment study was intended to be an ongoing Agency project to analyze systemic risks facing FCS and recommend how the Agency should address those risks.

The FCA Board adopted revised FCA objectives and 1994–95 FCA goals, authorized a contract for Information Resources Management (IRM) consulting services to enhance the Agency's IRM planning efforts, and issued a policy statement concerning management oversight of information and information resources. All these efforts were aimed at improving the Agency's long-range efficiency and effectiveness.

The Board also canceled the charter of the FCS Assistance Board and dissolved the National Special Asset Council.

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[1] On February 10, 1994, HUD published a final rule amending Regulation X, which implements RESPA. The final rule reinstated the exemption for property of 25 acres or more, business purpose loans, vacant land, loan assumptions, and loan conversions. In addition, HUD adopted the Regulation Z (Truth in Lending) business purpose test, which also applies to agricultural purpose loans secured by less than 25 acres of real property.

Regulatory Burden

The FCA Board continued efforts begun in 1992 to reduce regulatory burden by publishing in the *Federal Register* a notice of intent and request for comments on certain requirements the Agency imposes on FCS (58 FR 34003, June 23, 1993). The action was taken to improve FCS's regulatory environment by targeting areas for more focused study and revising rules, where appropriate, to relieve regulatory burden. The public was asked to comment on FCA regulations that duplicate other governmental requirements, are not effective, or impose a burden greater than the benefit derived. Most comments addressed regulatory issues that the FCA Board had previously identified. Work groups within the Agency have been organized to analyze the comments and make recommendations to the FCA Board.

FCA Board Policies

The following policies were adopted by the FCA Board during 1993.

Transaction of Business

With its adoption of the Rules for Transaction of Business of the FCA Board, the Board established a procedure for the public to request permission to make presentations during FCA Board meetings. (Adopted January 14, 1993.)

Operational Responsibilities

In the Policy Statement Concerning Operational Responsibilities, the FCA Board clarified its role and those of the CEO and Agency staff to ensure appropriate dissemination of information within the Agency. This statement also strengthened procedures that the Board uses to act on Agency matters. (Adopted January 29, 1993, and revised September 16, 1993.)

Travel Expenses

By adopting the policy on preconfirmation of travel expenses for FCA Board nominees, the Board made Agency practices consistent with General Accounting Office interpretations. Specifically, for a Board nominee to be reimbursed for travel, the travel must be for substantial benefit of the Agency. (Adopted February 4, 1993.)

Representation Expenses

In response to an Office of Inspector General audit report recommendation, the FCA Board established a policy describing appropriate use of funds from the representation and reception expense budget category. (Adopted March 26, 1993.)

Disclosure of CAMEL Ratings

The FCA Board revised its Policy Statement Concerning the Disclosure of CAMEL Ratings[2] to require disclosure of the overall CAMEL rating, as well as the rating for each critical area examined, to directors and management of the rated institution. The revision was adopted after a one-year trial. (Adopted April 22, 1993.)

Financially Related Services

The FCA Board adopted a Policy Statement Concerning Out-of-Territory Financially Related Services that interprets the statute as authorizing FCS institutions to offer financially related services outside their formally chartered

[2] The acronym CAMEL represents the five key financial and operational criteria—capital adequacy, asset quality, management, earnings, and liquidity—that FCA examines in each FCS institution.

territories with the consent of an institution serving the territory in which the service is offered. This policy allows FCS institutions that have developed expertise in providing a financially related service to offer this service to borrowers of other FCS institutions that are unable to provide the service. (Adopted June 10, 1993.)

Scope of Examinations

The Farm Credit Banks and Associations Safety and Soundness Act of 1992 increased the Agency's flexibility in defining the scope and manner of conducting an examination. Prior to passage of the 1992 Act, the statute specified elements that FCA must include in all examinations of FCS institutions. This statutory change led the Board to adopt a policy statement allowing FCA to use its examination resources more efficiently and effectively. The policy statement directs examination resources toward areas that pose the most risk to the safety and soundness of an institution. (Adopted July 15, 1993.)

Final Regulations

Ethics

FCA adopted final regulations amending 12 CFR Part 601, which governs Agency employee responsibilities and conduct. The regulations identify financial or investment holdings that are prohibited, establish procedures for obtaining administrative approval to engage in outside employment, and prohibit involvement in elections of FCS board members. These regulations, which became effective March 3, 1993, supplement the Uniform Standards of Ethical Conduct applicable to executive branch employees that were issued by the Office of Government Ethics. (See 58 FR 5919, January 25, 1993.)

Assessments

The FCA Board used the negotiated rulemaking process to develop regulations establishing new procedures for assessing all FCA-examined institutions for the Agency's annual administrative expenses. Final regulations took effect on March 25, 1993. The assessment formula is based on the level of risk-weighted assets of each institution and includes an incentive to maintain a strong financial position by taking into account each institution's CAMEL rating. The regulations also set a minimum assessment level of $20,000, which the negotiated rulemaking committee concluded was a fair reflection of basic regulatory costs. The assessment for non-FCS institutions examined by FCA is based on actual expenses incurred plus certain overhead expenses. (See 58 FR 10939, February 23, 1993.)

Collateral Evaluation

The FCA Board approved a technical correction to collateral evaluation regulations, 12 CFR Part 614, that became effective March 1, 1993. The regulations require FCS institutions to maintain transactional independence between the credit decision and the collateral evaluation. The technical correction clarifies that in small institutions, when an employee or officer is responsible for deciding whether to make a loan to an applicant as well as evaluating the applicant's collateral for a loan, the transactional independence requirement can be satisfied by prior approval or postreview of the credit decision by the FCS institution's senior management or the board of directors. (See 58 FR 11371, February 25, 1993.)

Quarterly Report Certification

The FCA Board approved final regulations, effective June 17, 1993, amending its disclosure-to-shareholders regulations in 12 CFR Part 620 relating to certification of quarterly reports by directors. Previously, quarterly reports filed with FCA had to be certified by each member of the board of an FCS institution within 45 days after the end of each reporting quarter, which FCS institutions indicated was logistically difficult. To make the certification requirement less burdensome, the final rule gives FCS institution boards the option of designating the chairperson of the board, the chairperson of the audit committee, or a board member designated by the chairperson of the board to certify quarterly reports on behalf of the entire board. (See 58 FR 27922, May 12, 1993.)

Lending Limits

The FCA Board adopted final lending limit regulations, effective January 1, 1994, which establish a limit on the amount of extensions of credit to a single borrower. All FCS direct lender institutions, except Banks for Cooperatives (BCs) which operate under statutorily imposed lending limit guidelines, may provide credit to any single borrower in an amount up to 25 percent of the institution's permanent capital. The regulations provide rules for determining the aggregation of loans of separate but related borrowers for the purpose of making "single-borrower" determinations and remove FCA prior approval requirements for those determinations by replacing them with directions and criteria for FCS institutions to follow. (See 58 FR 40311, July 28, 1993.)

Accounting and Reporting Requirements

The FCA Board adopted final regulations that update and revise accounting and reporting requirements for high-risk assets. The revisions ensure that FCS institution accounting for problem loans remains comparable with that of other financial institutions and consistent with generally accepted accounting principles. The regulations also clarify the rule of aggregation, treatment of income on nonaccrual loans, criteria for reinstatement to accrual status, and allowance for loan losses. These regulations amending 12 CFR Part 621 became effective December 31, 1993. (See 58 FR 48780, September 20, 1993.)

Release of Information

The FCA Board approved a regulation amending 12 CFR Part 618 that allows an FCS institution to give borrower information contained in an appraisal report to any state agency that certifies and licenses real estate appraisers. The regulation also requires the institution to certify that the information is required for an employee's application for certification and licensure as a real estate appraiser and to ensure that borrower confidentiality is not compromised. The regulation became effective November 3, 1993. (See 58 FR 51993, October 6, 1993.)

Distressed Borrower Notification

The FCA Board approved a final amendment to 12 CFR Part 614 regarding the content of borrower rights notices for distressed loans. The previous regulation required lenders to notify distressed borrowers that their loans may be suitable for restructuring and that the alternative to restructuring may be foreclosure. The revised regulation makes the reference to foreclosure in the restructuring notice optional. However, the regulation continues to require lenders to notify borrowers, not later than 45 days before commencing foreclosure proceedings, that the alternative to restructuring may be foreclosure. The amendment became effective March 15, 1994. (See 58 FR 62513, November 29, 1993.)

Investments

The FCA Board adopted final regulations amending 12 CFR Part 615, that expand the ability of FCS banks to purchase and hold investments to help safeguard their solvency and liquidity, while ensuring that such banks carry out their statutory mission of financing agriculture. The regulations authorize FCS banks to hold specific eligible investments in an amount not to exceed 30 percent of total loans outstanding. These investments must be used to maintain a liquidity reserve requirement, invest short-term surplus funds, and manage interest-rate risk. The regulations require each FCS bank to maintain enough liquidity to fund its operations for 15 days in the event that its access to the market is impeded. The regulations strengthen management controls and expand the list of eligible investments; however, amounts, maturities, and credit ratings of eligible investments are limited to ensure diversification. The regulations also establish procedures for divesting ineligible investments to minimize risk of loss. Also adopted were separate regulations governing investment by FCS banks in mortgage-related securities with principal and interest guaranteed by the Federal Agricultural Mortgage Corporation (Farmer Mac). The regulations became effective March 15, 1994. (See 58 FR 63034, November 30, 1993.)

Proposed Regulations

Terminations

The FCA Board adopted proposed regulations that would establish procedures for FCS banks and large associations to terminate status as FCS institutions. The proposed rule would extend existing regulations for small associations to all associations and add provisions that would protect the viability of the remaining institutions in the district. These provisions would apply to an association or group of associations whose investment in the Farm Credit Bank (FCB) or direct loan from the bank constitutes more than 25 percent of the FCB's capital or 25 percent of the direct loans in the Farm Credit district. The proposed termination regulations for FCS banks would incorporate many of the provisions for association terminations and include additional provisions that address divestment of System-wide obligations and repayment of FCS Financial Assistance Corporation debt. After reviewing comments received on the proposed regulations, the FCA Board published a resolicitation of comments that clarified selected sections of the proposed rule and provided examples of exit fee computations. (See 58 FR 15099, March 19, 1993, and 58 FR 39684, July 26, 1993.)

Permanent Capital

The FCA Board adopted proposed regulations amending 12 CFR Part 615 to implement permanent capital-related provisions of the Farm Credit Banks and Associations Safety and Soundness Act of 1992. The regulations would provide procedures for an FCB and its related direct-lender association to specify where the association's investment in the bank may be counted as permanent capital, establish how this investment would be counted in the absence of an agreement, and provide a specific date for the exclusion from capital of payments by FCS institutions to the Financial Assistance Corporation made in connection with the repayment of Capital Preservation Agreements. The proposed regulations would permit the FCBs and direct-lender associations to amend the allocation agreement annually. (See 58 FR 34004, June 23, 1993.)

Standards of Conduct

FCA proposed amendments to 12 CFR Part 612 in response to the requirement of the Farm Credit Banks and Associations Safety and Soundness Act of 1992 that FCA review and—if necessary to provide adequate disclosure to shareholders, investors, and FCA—amend regulations on disclosure of financial information and reporting of potential conflicts of interest by FCS directors and employees. The proposed rule would retain much of the existing regulation, expanding some provisions and relaxing others to reflect a change in FCA's regulatory focus in personnel matters. It also would clarify what is prohibited and what is merely reportable; require each institution to develop a detailed standards-of-conduct policy; and make the Standards of Conduct Officer the point of contact in each institution for reporting, monitoring, and FCA examination purposes. (See 58 FR 44139, August 19, 1993.)

Disclosure to Shareholders

The FCA Board proposed amendments to 12 CFR Part 620 to clarify disclosure requirements for floor nominees at association annual meetings, including the procedure to be followed when annual meetings are held in more than one session or when shareholders vote by mail. (See 58 FR 47836, September 13, 1993.)

Lien Certification

The proposed amendment to 12 CFR Part 615 would give FCS institutions the option of obtaining either title insurance or an attorney's lien certificate to document the first lien on the security for long-term real estate mortgage loans. Although title insurance is the prevailing method used by the mortgage lending industry to ensure clear title, the current regulation requires an attorney's certification for every long-term mortgage loan for the loan to qualify as collateral for FCS debt obligations. The proposed amendment would give FCS institutions more flexibility and provide cost savings to borrowers because title insurance is less expensive and quicker to obtain. (See 58 FR 52701, October 12, 1993.)

Farmer Mac Standards of Conduct

The FCA Board approved a proposed new rule, 12 CFR Part 650, on financial disclosure and conflict-of-interest reporting for Farmer Mac as required by the Farm Credit Banks and Associations Safety and Soundness Act of 1992. The regulation would require Farmer Mac to adopt a conflict-of-interest policy, which defines the types of transactions, relationships, or activities that might reasonably be expected to give rise to a potential conflict of interest and requires sufficient information about such transactions to be reported. The regulation also would require disclosure to shareholders, investors, and potential investors of any unresolved conflicts of interest involving directors, officers, and employees. (See 58 FR 53161, October 14, 1993.)

Debt Collection Act

The FCA Board adopted a proposed regulation that would implement the Federal Claims Collection Act of 1966, as amended by the Debt Collection Act of 1982, by adding a new 12 CFR Part 608 to the FCA regulations. The regulation would establish procedures for FCA to collect, compromise, suspend, or terminate collection action on claims owed to the United States arising from activities under the Agency's jurisdiction. (See 58 FR 58137, October 29, 1993.)

Disclosure Rules for Compensation

The FCA Board approved a proposed rule that would amend 12 CFR Parts 611, 618, and 620 to comply with provisions of the Farm Credit Banks and Associations Safety and Soundness Act of 1992 regarding the limitation on compensation of bank directors and disclosure of director and senior officer compensation and reimbursable expenses. The proposed rule would set a new limitation of $20,000 per year on bank director compensation, but would allow annual adjustments to reflect changes in the Consumer Price Index. It would strengthen requirements for written policies on reimbursement for travel, subsistence, and other related expenses for directors, officers, and employees of all FCS institutions and require an annual internal review of compliance with these policies. The proposed rule also would amend FCA's current disclosure requirements for senior officer compensation to make them more informative and useful to shareholders. (See 58 FR 68069, December 23, 1993.)

Disclosure to Investors

The FCA Board approved a proposed rule (12 CFR Part 630) governing FCS's preparation of periodic disclosure of Systemwide financial information to investors in FCS debt obligations. The purpose of the new regulation is to ensure that timely and accurate Systemwide financial information continues to be disclosed to investors and the public by requiring publication of annual and quarterly reports to investors. (See 59 FR 5341, February 4, 1994.)

Farmer Mac Oversight

FCA established the Office of Secondary Market Oversight (OSMO) in 1992, as required by Public Law 102-237. The statute prescribes that OSMO be a separate office whose activities would generally be carried out by individuals not responsible for the supervision of FCS institutions.

During 1993, FCA's activities associated with the regulation of Farmer Mac included the following:

- annual examination of Farmer Mac;
- quarterly monitoring of Farmer Mac's capital levels;
- conducting research on historical levels of agricultural defaults for the purpose of promulgating a risk-based capital test; and
- proposing regulations related to conflicts of interest for Farmer Mac employees, officers, and directors.

Examinations and Ratings

FCA is statutorily required to examine each FCS institution, including Farmer Mac, at least annually with the exception of Federal Land Bank Associations (FLBAs), which must be examined at least once every three years. Through the Office of Examination, the Agency examined 195 FCS institutions during 1993, 14 of which were off-site examinations—an increase from five in 1992.

The Agency continued to use the portfolio approach to examinations. Examination assignments are based on the most cost-effective means of conducting an examination and do not necessarily correspond to Farm Credit district boundaries. In a continuing effort to streamline operations and reduce costs, the Agency reduced the number of regional examination offices from three to two in November 1993, and announced the closing of the Albany and Oklahoma City field offices, effective March 31, 1995.

Upon completion of its examination, each FCS bank and association is assigned a composite rating, commonly referred to as a CAMEL rating, based on an evaluation of capital adequacy, asset quality, management, earnings, and liquidity. A rating of 1 is assigned to well-managed institutions that are basically sound in every respect, while a rating of 5 is assigned to institutions with an extremely high immediate or near-term probability of failure.

Table 1 illustrates the continued and significant improvement in CAMEL ratings for all FCS institutions from December 31, 1989, to December 31, 1993. Between 1989 and 1993, the number of institutions with a 1 or 2 rating increased by 80 (75 percent) while institutions with a 4 or 5 rating declined by 72 (92 percent). The table excludes institutions in receivership.

During 1993, FCA established an Asset/Liability Management–Derivative Products Committee composed of examiners from field offices and the McLean headquarters. The objectives of the committee are to enhance examiner knowledge and to enable the Agency to stay abreast of developments in the marketplace through training, coordination with the Federal Farm Credit Banks Funding Corporation, and communication with other regulators. In addition, the Agency established a Derivatives Work Group whose objective is to recommend a comprehensive Agency strategy that properly responds to FCS institutions' use of derivative products.

Table 1

Trends in CAMEL Ratings for Farm Credit Banks and Associations, N (%)

Rating	1993		1992		1991		1990		1989	
1	14	(6)	6	(2)	9	(4)	2	(1)	8	(3)
2	173	(68)	157	(62)	126	(52)	92	(44)	99	(39)
3	60	(24)	78	(31)	76	(32)	75	(36)	72	(28)
4	6	(2)	12	(5)	28	(12)	37	(18)	67	(26)
5	0	(0)	0	(0)	0	(0)	3	(1)	11	(4)
Total	253		253		239		209		257	

Note: CAMEL ratings are based on an evaluation of capital adequacy, asset quality, management, earnings, and liquidity. Ratings range from 1 (a sound institution) to 5 (an institution that is likely to fail).

Restructuring Activity

During the 12 months ending December 31, 1993, the FCA Board approved 15 corporate applications, which consisted of three transfers of direct lending authority from FCBs to FLBAs, thereby creating Federal Land Credit Associations, three association mergers, two joint management agreements between associations, one association's reaffiliation with another FCB, and several charter amendments, one of which included an amendment to an FCB's charter resulting from the association reaffiliation. The FCA Board also approved the merger of the Federal Intermediate Credit Bank (FICB) of Jackson (Mississippi) with The Farm Credit Bank of Columbia (South Carolina). The Farm Credit Banks and Associations Safety and Soundness Act of 1992 mandated that the FICB of Jackson merge with an FCB no later than June 30, 1993, or face an arbitrated merger with the FCB of Texas. After the FICB of Jackson signed a letter of intent to merge into The FCB of Columbia, the Agency granted a one-time extension of the merger deadline to October 31, 1993. The merger resulted in the charter cancellation of the FCS's remaining FICB.

In addition to the 240 associations identified in Table 2 as of December 31, 1993, the FCS consisted of 10 FCBs, three BCs, and five service organizations compared with 244 associations, 10 FCBs, three BCs, one FICB, and five service organizations as of December 31, 1992. Not included in the count are the four FCS institutions (three associations and one bank) in liquidation.

Table 2
Farm Credit Association Structure[1]
(As of December 31, 1993)

Affiliation	FLBAs	PCAs	ACAs	FLCAs	Totals
FCB of Springfield	0	0	11	0	11
FCB of Baltimore	0	0	16	0	16
FCB of Columbia	0	1	19	0	20
FCB of Louisville	0	0	5	0	5
AgriBank, FCB	1	20	10	19	50
FCB of Omaha	0	1	0	1	2
FCB of Wichita	22	18	0	0	40
FCB of Texas	48	18	0	0	66
Western FCB	3	12	4	10	29
FCB of Spokane	0	0	1	0	1
Totals	74	70	66	30	240

Note: FLBA = Federal Land Bank Association; PCA = Production Credit Association; ACA = Agricultural Credit Association; FLCA = Federal Land Credit Association.
[1] Does not include one FLBA and two PCAs in liquidation.

Enforcement Actions

FCA has various enforcement authorities it may use to ensure that FCS institution operations are safe and sound and in compliance with applicable statutes and regulations. These authorities include the power to issue cease and desist orders, to levy civil money penalties, to remove officers and directors of FCS institutions, and to establish financial and operating reporting requirements.

The Enforcement Division in the Office of Special Supervision and Corporate Affairs is responsible for analyzing Reports of Examination on institutions that may be operating in an unsafe or unsound manner or may not be in compliance with applicable statutes or regulations. The division recommends appropriate enforcement actions to correct safety or soundness or compliance concerns. It coordinates the preparation of enforcement documents with the Office of General Counsel and, with FCA Board approval, delivers the documents necessary to correct the causes of unsafe or unsound practices or compliance problems. Once enforcement actions have been taken, the division, in conjunction with the Office of Examination, oversees the performance of the FCS institutions to ensure compliance with the terms of the enforcement actions. The division also oversees the operations of four FCS institutions in receivership.

During the 12-month period ending December 31, 1993, one order to cease and desist, four agreements, and one amended agreement were entered into with FCS institutions by the Agency. By comparison, FCA entered into four orders to cease and desist and 15 agreements in 1992. In addition, the Agency issued nine supervisory letters and 33 followup letters to institutions operating under existing enforcement actions.

FCA formally imposed conditions of merger or corporate restructuring on two associations during 1993.

Improving financial and credit conditions, coupled with satisfactory compliance with the enforcement action, resulted in the Agency terminating enforcement actions on 25 institutions during 1993. At the end of 1993, 49 FCS institutions with aggregate assets of $23.3 billion were under enforcement actions. By comparison, 65 institutions with $32.7 billion in assets were under some form of enforcement action at year end 1992.

FCS Institutions in Receivership

As of December 31, 1993, four institutions remained in receivership: the FLB of Jackson and the FLBA of Jackson, both in Jackson, Mississippi; the Richmond Production Credit Association (PCA), Sugar Land, Texas; and the Coleman PCA, Coleman, Texas. All four receiverships are now part-time operations. Although the outcome of these receiverships depends on the resolution of outstanding lawsuits and disposal of remaining assets, all four are expected to be concluded in 1994 or 1995.

Litigation

At the beginning of 1993, six lawsuits were pending against FCA. During the year, two lawsuits were initiated against the Agency and five were concluded. In *Buckeye Production Credit Association v Farm Credit Administration*, decided on June 22, 1993, the U.S. Court of Appeals for the Fourth Circuit reversed the U.S. District Court for the Eastern District of Virginia and upheld FCA's issuance of a charter to Mid-America ACA. The charter had created limited competition between Mid-America ACA and

Buckeye PCA and the FLBA of Fostoria. In deciding in favor of FCA, the court gave considerable weight to FCA's discretion in interpreting the Farm Credit Act and held that FCA's interpretation was a "reasonable construction of the statute."

Audits and Investigations

During 1993, the Office of Inspector General (OIG) issued three reports. "FCA's Audit Followup Process" identified weaknesses in Agency implementation of audit recommendations. To address the weaknesses, the FCA Board adopted a policy of increasing its involvement in audit followup issues, and the Chief Operating Officer was assigned audit followup responsibilities.

The OIG audit "FCA's Examination and Monitoring of Asset/Liability Management by Farm Credit System Institutions" concluded that FCA's Office of Examination placed appropriate and increased emphasis on asset/liability management practices by institutions but monitoring and examination practices were inconsistent among FCA field offices. Management agreed with the findings and recommendations, and steps to improve consistency and training in asset/liability management have been planned.

The OIG audit "FCA's Health and Life Insurance Programs" concluded that it was no longer feasible to offer an Agency-specific health insurance benefits program in addition to the Governmentwide Federal Employees Health Benefits (FEHB) Program and suggested that, in accordance with generally accepted accounting standards, FCA must recognize a liability for postretirement benefits in its financial statements. Management agreed and terminated the FCA health plan for all employees except those too close to retirement to make the transition to the FEHB Program and those FCA retirees who retired with the FCA health plan.

One OIG inspection was performed during 1993, "Inspection of FCA's Budget Limitation," which identified transactions that may raise questions about Agency compliance with spending limitations established by Congress.

During 1993, three investigations were referred to the Department of Justice and two resulted in administrative action by the Agency. The OIG Hotline is the primary vehicle for reporting complaints about fraud, waste, and abuse by both Agency employees and the public. The hotline received 224 complaints in 1993. Complaints were carefully evaluated, investigated, referred, or closed, as warranted.

FCA Budget

FCA operates on a fiscal year beginning October 1 and ending September 30. FCA's budgetary process is set forth in the Farm Credit Act of 1971, as amended. Section 5.15 of the Act requires that prior to the first day of each fiscal year, FCA shall determine the following:

- the cost of administering the Act for the subsequent fiscal year, including expenses for official functions;
- the amount of assessments that will be required to pay such administrative expenses, taking into consideration the funds in the FCA administrative expense account and the need to maintain a reserve; and
- the amount of assessments that will be required to pay the cost of supervising and examining Farmer Mac.

On the basis of these determinations, FCA is required to do the following:

- apportion the amount of the assessment among FCS institutions on a basis determined to be equitable by FCA;
- assess and collect such amounts from time to time during the fiscal year; and
- assess and collect from Farmer Mac from time to time during the fiscal year the amount determined to be necessary.

The amounts collected are deposited in the FCA administrative expense account. The expense account is maintained in the Treasury of the United States and is available, without regard, for purposes of sequestration, to the Balanced Budget and Emergency Deficit Control Act of 1985, to pay the expenses of FCA. The funds contained in the expense account shall not be construed to be Federal government funds or appropriated monies.

Table 3

FCA Administrative Expenses

(Dollars in Thousands)

Object Class	FY 1993 Actual	FY 1994 Estimated
Personnel Compensation		
Full-time Permanent	$24,801	$26,117
Other than Full-time Permanent	315	232
Other Personnel Compensation	118	277
Total	**$25,234**	**$26,626**
Other Administrative Expenses		
Civilian Personnel Benefits	$6,020	$6,426
Benefits for Former Employees	203	201
Travel and Transportation of Persons	2,106	2,484
Transportation of Things	67	98
Rent, Communications, and Utilities	578	685
Printing and Reproduction	121	299
Consulting and Other Services	1,497	2,335
Supplies and Material	309	644
Equipment	121	628
Insurance Claims/Indemnities	22	0
Total Obligations	$36,278[1]	$40,426
Prior Year Obligations[2]	(403)	0
Total	$35,875[1]	$40,426

Note: Footnotes are in actual dollar amounts.

[1] Excludes reimbursable obligations of $461,000.

[2] Amounts represent unused obligations from prior years.

The Economic Environment

Economic activity in 1993 continued to benefit financial institutions as earnings, interest-rate margins, and capital continued to expand at favorable rates, helping to restore the financial health of this sector of the economy.

The year also turned out to be favorable to the economy as substantial gains were made in real output, employment, and inflation. Financial conditions remained favorable for economic recovery throughout the year. By midyear it was clear that the modest recovery of the first half of the year had turned into a faster-paced rate of expansion. The year ended with fourth-quarter gross domestic product (GDP) growing at a 7 percent annual rate, a substantial increase over the 1.5 percent rate during the entire first half of the year. That was up from the 2.9 percent rate of increase in GDP during the third quarter of 1993 and was the best performance since the fourth quarter of 1987.

A favorable interest-rate environment contributed to economic expansion during 1993. Short-term rates continued to decline throughout the first half of the year, then held steady over the remaining two quarters, ending a five-year period of increasing monetary accommodation. Long-term rates, however, continued to decline throughout the second half of the year, primarily in response to action taken by the Administration to reduce the Federal budget deficit. The favorable interest-rate environment promoted a marked increase in spending in the interest-sensitive sectors of the economy, particularly in home building, business investment, and consumer durable goods. Continuing disinflation and low inflationary expectations also contributed to the favorable interest-rate environment during the year.

As the year ended, income and credit flows indicated that a substantial increase in economic activity was leading to reduced rates of capacity utilization and declining unemployment. After slowing significantly during 1992, increases in hourly compensation failed to decline further in 1993, and long-term inflation expectations were well above the year's inflation rate, indicating that the period of low interest rates was about to end as 1993 drew to a close.

The Agricultural Economy

Extremes in regional weather patterns dominated 1993 agricultural production. Record precipitation in the upper Mississippi and the Missouri River basins made the biggest headlines, but the Southeast experienced record heat and scant rainfall while the Northwest set records for cold and rain. These problems, plus changes in program set-asides, resulted in farmers planting 7.1 million fewer acres and harvesting some 11.2 million (3.7 percent) fewer acres than in 1992. Another regional problem that surfaced in 1993 was large citrus supplies that reduced prices. On the positive side, cash operating margins for livestock producers were higher during 1993, with higher livestock and product prices generally offsetting higher expenses for feed and feeder animals.

Significant local and regional shifts in revenues also occurred as the weather altered yield patterns. Nationally, there was nearly a $3.8 billion overall decline from 1992 in the value of crop production to $83.7 billion, with feed grains accounting for most of the drop. Crop values dropped $4.3 billion (25 percent) in the five hardest-hit flood states (Iowa, Minnesota, Missouri, North Dakota, and South Dakota) and $1.1 billion (15 percent) in the six southeastern states seriously affected by drought (Georgia, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia).

Net Cash Income Improved

The timing of crop sales, as well as disaster and regular Government program payments, boosted net cash farm income during 1993. More than $2 billion in disaster payments was split between 1993 and 1994, about $700 million in crop insurance indemnities and several hundred million dollars in the Government's "0/92" deficiency payments. Also, there was a $1.6 billion increase in the value of principal crops produced in states other than the 11 flood and drought states previously cited. Commodity price increases added more than $1 billion to the value of 1992 crops held over for sale in 1993.

Thus, despite the flood and drought losses faced by many producers, a combination of factors caused overall net cash farm income for 1993 to be estimated at a record-high $58.5 billion. Sales and deficiency payments from the large 1992 crops came in the first half of 1993. For the year as a whole, cash marketing receipts from crops were off only marginally, with about a $1 billion increase from vegetables offsetting lower grain receipts. In addition, Government payments were up $4.2 billion, and livestock receipts were up a similar amount. The bottom line is that gross cash income increased $9 billion and offset nearly an $8 billion jump in cash expenses.

Net farm income[1] comprises a second, separate measure of the general agricultural economy. The sharp reduction in crop production, coupled with slow production gains in the livestock sectors and modestly higher average farm prices, plus the large increase in expenses, caused net farm income to fall 13 percent to $43.4 billion in 1993.

[1] Net cash income is a cash accounting of commodity sales, Government payments, farm-related income, and the operating expenses associated with producing that revenue. Neither depreciation nor capital expenditures are deducted. Net farm income is the accounting of farm income and expenses on an accrual basis. Thus, net farm income has adjustments for inventory changes to reflect only the current year's output, depreciation as an expense, and recognition of other noncash income and expense items. Overall, income tends to be more stable when expressed on a cash basis because gross cash income is also a function of how farmers manage their sales for more than one production year.

Although the aggregate measures present the appearance of a solid agricultural economy, a number of farmers suffered large losses, and many others had partial losses with reduced loan repayment capacities during 1993. For those with major flood losses, it is unlikely that disaster aid made them whole; and some fared better than others. Only crop losses above 35 percent were eligible, and the payment rate was set at 65 percent of an established price. At best, for those with a total crop loss, the disaster formula paid about $0.42 per $1.00 of estimated crop loss. Similar situations applied for crop producers in many southern and eastern states affected by drought.

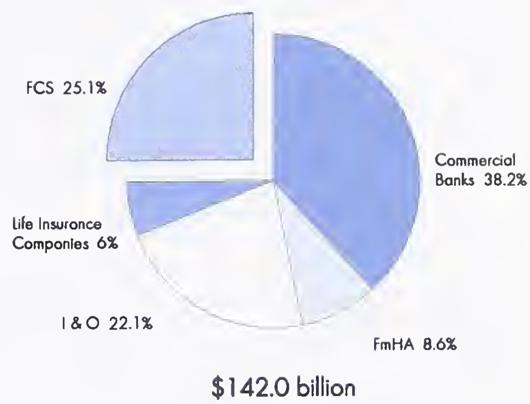
Farm Debt Markets and Lender Shares

The U.S. Department of Agriculture's (USDA's) farm debt estimates for year end 1993 show a small increase in the real estate–secured portion (to $76 billion), and nearly a 4 percent growth in the non–real estate amount (to near $66 billion; Fig. 1). The data show the Farm Credit System (FCS) growing slightly in overall farm loan volume but losing half a percent in market share (to 25.1 percent). USDA's estimate of the FCS volume excludes loans held by the Banks for Cooperatives and certain other FCS loans (e.g., rural home loans plus marketing and processing loans). USDA's farm sector debt estimates are only for farm business operations; any indirect FCS financing to farmers through supply cooperatives would be included in trade credit.

Figure 1

Total Agricultural Debt

Market Share as of December 31, 1993

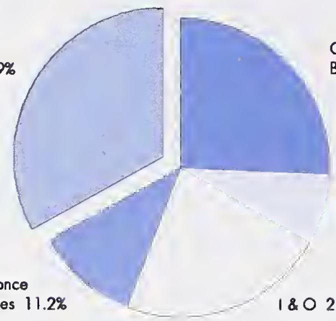


Note: I & O=Individuals & others, seller financed sales plus merchant dealer credit. USDA farm business debt series excludes Commodity Credit Corportion (CCC) commodity loans.
FmHA=Farmers Home Administration

Figure 2

Agricultural Real Estate Debt

Market Share as of December 31, 1993



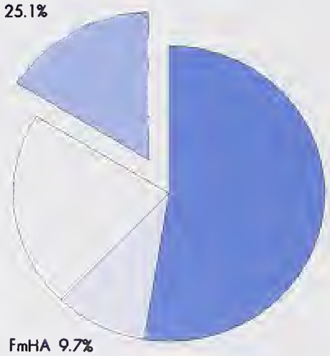
$76.0 billion

Note: I & O=Individuals & others, mainly seller financed sales.
USDA farm business debt series excludes Commodity Credit Corporation (CCC) commodity loans.
FmHA=Farmers Home Administration

Figure 3

Agricultural Non-Real Estate Debt

Market Share as of December 31, 1993



$65.9 billion

Note: I & O=Individuals & others, mainly merchant and dealer credit.
USDA farm business debt series excludes Commodity Credit Corporation (CCC) commodity loans.
FmHA=Farmers Home Administration

Meanwhile, farm loans held by commercial banks grew 5.2 percent with more than a full 1 percent gain in market share (to 38.2 percent, or $54.2 billion). This 1 percent gain in share by banks was nearly the same for both real estate–secured (Fig. 2) and non–real-estate–secured (Fig. 3) debt, to 25.7 and 52.6 percent, respectively. The FCS's decline was mainly on the real estate portion, which dropped to 32.9 percent; its non–real estate share edged slightly downward to 16.2 percent.

The main institutional lender dropping market share in 1993 was the Farmers Home Administration (FmHA). It dropped 0.7 percentage points of non–real estate market share and 1.5 percentage points of non–real estate share to 7.7 and 9.7 percent, respectively. Seller financing of real estate and merchant/dealer trade credit both gained slightly in market share, rounding out both sides of the respective markets with shares of about 22 percent.

Farm Credit System Financial Performance Report[1]

Note: Each FCS institution is required by FCA regulations to issue an annual report, including audited financial statements. Additionally, a consolidated statement is prepared annually by the Federal Farm Credit Banks Funding Corporation and is included in its Report to Investors. *Copies of those reports can be obtained by contacting the institution directly. The purpose of this section is to provide the reader with the more noteworthy financial highlights.*

The financial condition of the FCS continued to improve in 1993. Combined net income[2] increased, totaling $1.2 billion for 1993, compared with $986 million in 1992. The 1993 results, however, include a one-time addition to income of $135 million, the cumulative effect of an accounting change related to the method of accounting for income taxes (in accordance with SFAS 109). Income before any cumulative effect of changes in accounting principles and extraordinary items was $1.1 billion and $1.0 billion for 1993 and 1992, respectively. Net interest income also increased in 1993 to $2.0 billion, compared with $1.8 billion in 1992. The net interest margin (net interest income as a percentage of average earning assets) increased to 3.17 percent in 1993, up from 2.91 percent in 1992.

Total assets increased slightly in 1993 to $64.8 billion at year end from $63.2 billion the previous year. Corresponding to this increase was the gradual rise in the FCS combined loan volume. Gross loans totaled $53.9 billion on December 31, 1993, compared with $52.4 billion for 1992. The quality of FCS loans is improving overall.

Nonaccrual loans for FCS totaled $1.5 billion for 1993, compared with $1.9 billion for 1992, representing a 25 percent decline.

Total capital[3] for FCS increased to $8.3 billion, up from $7.2 billion in 1992. The quality of capital also improved, with surplus as a percentage of FCS combined capital of 62.5 percent at year end 1993. Total capital to assets increased to 12.5 percent at year end 1993, compared with 10.8 percent at year end 1992.

The financial improvements demonstrated by FCS overall have occurred while FCS institutional structure continues to change. FCS began 1993 with 257 institutions. Changes occurred throughout the year, with the total number of institutions reduced to 253 by the end of 1993.

Farm Credit Banks

Structural changes, such as the formation of new long-term direct lending institutions, continued during 1993. Therefore, year-to-year comparisons of the financial condition of the direct lending associations (and the Farm Credit Banks [FCBs]) may be distorted, since the formation of these institutions also involves the transfer of assets and capital from the FCBs. For example, when a Federal Land Bank Association (FLBA) becomes a Federal Land Credit Association (FLCA) it receives the authority to loan funds directly to a farmer-borrower. Previously, the FLBA made and serviced the loans for the FCB. When the FLCA is formed, the FCB may transfer some or all of the previously serviced loans and

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1 The combined data for FCS was obtained from reports of the Federal Farm Credit Banks Funding Corporation. Its development requires significant intercorporate eliminations and combinations of financial data.

2 FCS's method of reporting net income includes $41 million and $35 million in interest income on securities held by the Farm Credit System Insurance Corporation (FCSIC) for 1993 and 1992, respectively. Net income also includes $74 million in premiums paid by FCS institutions to FCSIC in both 1993 and 1992.

3 In reporting total capital, FCS includes $769 million and $656 million in restricted assets for 1993 and 1992, respectively, representing the total assets of FCSIC.

associated capital stock to the FLCA. This results in a reduction in the capital and assets of the FCB with an offsetting increase in the FLCA. However, there is no change in the financial condition and performance of the Farm Credit district.

Ten FCBs operated throughout 1993, and two merged as of January 1, 1994—AgriBank, FCB and the FCB of Louisville—to bring the number of FCBs down to nine at the beginning of 1994. During 1993, the FCB of Louisville redeemed its preferred stock issued to the FCS Financial Assistance Corporation. The FCB of Spokane committed to do the same in early 1994. Once this transaction is completed, all four FCBs that received financial assistance will have provided the funds necessary to redeem the entire $419 million in financial assistance–related preferred stock. The Omaha FCB and AgriBank, FCB redeemed their preferred stock in the third and fourth quarters of 1992, respectively.

The FCBs' net income increased by almost 22 percent during 1993, to $419.9 million, primarily as a result of lower interest expenses paid by the FCBs during the year. Net interest income for 1993 totaled $920.9 million, compared with $825.4 million in 1992. The resultant net interest margin was 2.21 percent and 1.96 percent of average earning assets for 1993 and 1992, respectively.

Total assets of the FCBs continued to decline slightly, equaling $43.8 billion at year end 1993, compared with $45.1 billion at December 31, 1992. About half of this decline is attributed to reductions in loan volume, which decreased from $38.3 billion in 1992 to $37.7 billion in 1993. The overall quality of loans is improving, with nonaccrual loans decreasing to $891.6 million (or 2.4 percent of total loans) from $1.3 billion (or 3.3 percent of total loans) at year end 1992.

Total net worth remained relatively stable, increasing only $166.5 million, to $4.0 billion at year end 1993. However, the quality of capital improved, a result of continued growth in earned net worth, which increased by 20.4 percent to $1.9 billion, compared with $1.6 billion for 1992. Capital as a percentage of assets also increased in 1993 to 9.21 percent from 8.59 percent in 1992.

Banks for Cooperatives

Three Banks for Cooperatives (BCs) continued to operate in 1993, with the National Bank for Cooperatives dominating the combined financial results because of its size.

Combined net income totaling $170.2 million represents a 6 percent increase from 1992. Net interest income, however, declined $11.1 million, to $309.8 million. This resulted in the net interest margin declining from 2.23 to 2.05 percent from 1992 to 1993, respectively.

Total assets for the BCs increased during 1993 by 14 percent and equaled $16.5 billion, compared with $14.6 billion in 1992. The majority of this increase is attributed to loan growth. Loans totaled $13.5 billion at year end 1993, compared with $12.0 billion in 1992. The BCs' loans continue to be of very high quality, with nonaccrual loans representing only 0.1 percent of total loan volume.

Total net worth also increased in 1993 to $1.2 billion from $1.1 billion at year end 1992. Earned net worth accounted for most of the increase. The BCs ended the year, however, with a capital-to-assets ratio of 7.21 percent, down from 7.31 percent the prior year.

Associations with Direct Lending Authority

FCS ended 1992 with 167 direct lending associations. Mergers and new formations throughout the year resulted in 70 Production Credit Associations, 66 Agricultural Credit Associations, and 30 Federal Land Credit Associations for a total of 166 entities as of December 31, 1993.

Net income for the direct lending associations increased to $522.8 million for 1993, an increase of 21 percent from $431.8 million in 1992. This improvement is primarily attributed to increases in net interest income, which rose from $771.3 million in 1992 to $854.4 million in 1993. The net interest margin of 3.26 percent and 3.49 percent for 1992 to 1993, respectively, reflects this improvement.

At year end 1993, combined total assets equaled $28.2 billion, up slightly from $26.6 billion in 1992. An increase in total loans accounted for most of this change. Loan growth of 5.5 percent placed loan volume at $26.4 billion at year end 1993, compared with $25.0 billion for 1992. Loan performance showed improvement as nonaccrual loans decreased somewhat to $556.2 million or 2.1 percent of total loans. At year end 1992, nonaccruals totaled $659.9 million, or 2.6 percent of total loans.

Total net worth increased in 1993 to $5.0 billion, up almost 17 percent from 1992. Earned surplus accounted for most of this amount, growing to $3.4 billion from $2.8 billion in 1992. Capital as a percentage of assets increased from 16.18 percent for 1992 to 17.83 percent for 1993.

Federal Land Bank Associations

FLBAs are not direct lenders, but serve as lending agents for the FCBs. Most of their income comes from loan servicing fees paid by the FCBs, and only a portion of FLBAs share in loan loss expenses. At year end 1993 there were 74 FLBAs, compared with 77 at the beginning of the year.

Combined net income for FLBAs decreased to $98.8 million for 1993. This represents a 23 percent drop from the prior year, when net income totaled $129.2 million. This change corresponds to the decline in "other income" (loan servicing income received from the FCBs) from $208.0 million for 1992 to $168.5 million for 1993.

Total assets and capital for the FLBAs also declined since year end 1992. Total assets were $532.4 million at the end of 1993, compared with $748.5 million at year end 1992. Total net worth declined by almost 30 percent over the last year, to $486.4 million, or 91.37 percent of total assets. Earned net worth also dropped $68.3 million from the prior year.

Funding the Farm Credit System

The Farm Credit Banks (FCBs) and the Banks for Cooperatives (BCs) obtain the majority of their loan funds through the sale of debt securities, chiefly Federal Farm Credit Banks Consolidated Systemwide Bonds and Discount Notes. In recent years they have also used specialized funding activities, including a medium-term note program, hedging, swaps, and other financing mechanisms.

Funding activities are handled by the Federal Farm Credit Banks Funding Corporation, which offers securities to the public through a selling group of approximately 90 investment dealers and dealer banks.

The debt securities are not obligations of, nor are they guaranteed by, the United States or any agency or instrumentality thereof, other than the Farm Credit System (FCS) banks. The debt securities are the joint and several obligations of the FCBs and the BCs and are backed by their combined resources.

Funding Costs Lower in 1993

By the end of 1993, it was clear that FCS institutions had reaped significant advantages from declining interest rates, as did their commercial banking and thrift counterparts (Table 4).

During 1993, interest rates on discount notes and 3- and 6-month bonds declined by approximately half a percentage point from average levels experienced in 1992. The average cost of all new debt issued by FCS in 1993 fell from 8.0 percent in 1990, to 5.81 percent in 1991, to 3.7 percent in 1992, and to 3.18 percent in 1993.

Yield spreads on new issues of FCS securities relative to comparable-maturity Treasury issues narrowed in 1993. Excluding discount notes, average spreads on all FCS debt issued as compared with Treasury issues with similar maturities declined from 16 basis points in 1990, to 13 basis points in 1991, to 8 basis points in 1992, and to 5 basis points in 1993. The ability of FCS to further narrow average spreads will likely be constrained by the low absolute level of current spreads and increasing credit demands of an expanding economy. Low spreads to Treasury issues reflect investors' strong confidence in FCS and weak demand for borrowed funds at this point in the economic recovery.

FCS increased the amount of medium-term notes outstanding in 1993 by $4.6 billion while decreasing the level of bonds outstanding by $6.3 billion. As a result, the weighted average maturity of all FCS debt increased slightly from 1.34 years at the end of 1992 to 1.38 years at the end of 1993.

The positive effect of replacing older maturing higher-cost debt with new lower-cost debt was accentuated by the calling of $3.4 billion of previously issued debt during 1993. This previously issued callable debt was redeemed and reissued at substantially lower interest rates.

Table 4

Farm Credit System Debt—Average Cost and Annual Amounts Issued, 1990–1993

(Dollars in Millions)

Year[1]	Rate, %	Spread in Basis Points	New Issues, $	New Money (Paydown), $
Discount Note Issues				
1990	7.97	N/A	94,886	(724)
1991	5.75	N/A	132,167	611
1992	3.61	N/A	119,942	(722)
1993	3.15	N/A	126,392	2,258
3-Month Debt Issues				
1990	7.913	19	14,725	215
1991	5.639	12	13,435	50
1992	3.613	7	16,150	900
1993	3.126	4	15,195	(500)
6-Month Debt Issues				
1990	7.973	13	13,220	(41)
1991	5.742	7	9,180	(2,055)
1992	3.732	4	8,749	595
1993	3.247	2	8,100	(835)
1-Year Debt Issues				
1990	8.058	5	6,530	(1,319)
1991	5.975	10	6,327	(670)
1992	3.952	5	5,024	(2,288)
1993	3.466	4	5,895	(454)
Medium-Term Note Debt Issues				
1990	8.59	23[2]	2,327	871
1991	7.25	19[2]	2,452	1,401
1992	5.69	16[2]	5,536	3,954
1993	5.07	19[2]	6,903	4,277
All Term Debt Issues				
1990	8.14	6	8,344	(5,102)
1991	6.466	13	8,898	(2,461)
1992	4.56	10	7,068	(3,830)
1993	3.655	5	6,670	(2,157)
All Debt Issues				
1990	8.00	16	138,322	(1,121)
1991	5.81	13	169,451	(1,427)
1992	3.70	8	161,301	(35)
1993	3.18	5	164,933	451

Sources: Farm Credit System Annual Information Statement—1993 and Federal Farm Credit Banks Funding Corporation Statistical Summary of Financing Activities 1993.

Note: N/A = Not applicable.

[1] Annual figures are averages.

[2] Does not include floating-rate notes

Young, Beginning, and Small Farmers

Institutions in the Farm Credit System (FCS) are required to provide programs that target service to young, beginning, and small (YBS) farmers. Each Farm Credit district must report annually to FCA, detailing the activities within its territory that support each of these selected groups. Many districts have programs that utilize Federal or state government loan guarantees, special recognition for young farmers, scholarships, interest-rate buydowns, monetary support for young farmer organizations, specific insurance programs, and a linked deposit program (available in four midwestern states). Each program is tailored to the needs of the agricultural community served by individual FCS institutions, and the effectiveness of these programs varies by institution.

Loan information is assimilated for all direct lender institutions within each district and reported to FCA on five different groups of borrowers: (1) all borrowers; (2) young borrowers (under 35 years old); (3) beginning borrowers (less than 6 years' experience); (4) small borrowers (farming assets of less than $100,000 and gross farm income less than $40,000); and (5) borrowers who meet two or more of the criteria to be included.

The group of borrowers that meets two or more of the criteria for YBS farmers has declined both in number of borrowers and amount of loans outstanding since the end of 1992. As of December 31, 1993, this group consisted of 21,250 loans to borrowers with $820.4 million in loans outstanding to FCS direct lender associations. By comparison, in 1992 these direct lenders had 23,940 loans, with $910.7 million in loans outstanding. The number of loans, and the amount loaned has decreased over the past 6 years within this classification.

This declining trend is based on the most restrictive classification for YBS borrowers—those that meet at least two of the categories: young, beginning, and small. It is not clear whether the total numbers are down for other lenders, nor whether the aggregate number of entrants has decreased. Fewer entry opportunities are likely, since a significant number of older farmers who retire do not have a large enough unit to be economically viable for new entrants. Since the number of farms has trended downward for more than half a century, the number of new entry opportunities should be expected to decrease over time. Further, these data identify only loans to YBS borrowers who are senior partners in partnerships or corporations. We would expect this to exclude loans to YBS borrowers, in most cases because they are likely to be junior partners.

Looking at a less restrictive classification of YBS borrowers, young farmers (those under 35 years of age), the trend is upward. FCS associations actually increased the number of loans and the amount of loans outstanding during 1993. At year end 1993, there were 32,460 loans with $1.884 billion in loans outstanding, compared with 31,735 loans with $1.872 billion at the end of 1992. This is an increase of 2.3 percent in number of loans and 0.6 percent in amount of loans. For year end 1993, these young farmers represented 5.3 percent of the associations' total loans and 4.7 percent of the total loans outstanding. Comparisons also show recent gains in service by Agricultural Credit Associations and Production Credit Associations, more than offset by drops in the exclusively mortgage lenders (Federal Land Bank Associations and Federal Land Credit Associations; Table 5). It thus appears that young borrowers may not be as likely to purchase land as in the past. Because loans for land purchase tend to be large in size and long in term relative to production lending, a shift among young borrowers away from strategies of buying land explains some of the drop in loan volume.

Another less restrictive classification, beginning farmers (those farmers with less than 6 years' experience), declined slightly both in number and amount of loans; however, this group represented 2.1 percent of the total loans and 3.5 percent of total loans outstanding. At year end 1992, these percentages were 2.3 and 3.6, respectively. The final individual group, those borrowers classified as small farmers, experienced significant declines in 1993. The number of loans in this category declined from 68,296 at year end 1992 to 59,028 at year end 1993, a decrease of 13.6 percent. The amount of loans outstanding had a greater percentage of decline as loan volume in this category went from $2.076 billion in 1992 to $1.08 billion in 1993.

Table 5

Young, Beginning, and Small Farmers: Loans Outstanding and New Money Loaned, by Type of Association

(Dollars in Thousands)

For the Year Ended December 31, 1993	Total Portfolio	Young Farmers[1]	Beginning Farmers[2]	Small Farmers[3]	Young, Beginning, & Small Farmers[4]
Federal Land Bank Associations and Federal Land Credit Associations					
Total Number of Loans					
Outstanding	186,588	5,049	4,519	4,343	2,255
Percentage Distribution	N/A	2.71	2.42	2.33	1.21
Total Amount of Loans					
Outstanding, $	15,861,432	416,457	582,602	128,418	132,002
Percentage Distribution	N/A	2.63	3.67	0.81	0.83
Gross New Money Loaned, $	1,841,131	88,949	159,457	7,524	46,364
Percentage Distribution	N/A	4.83	8.66	0.41	2.52
Agricultural Credit Associations					
Total Number of Loans					
Outstanding	340,480	20,021	5,336	52,061	15,960
Percentage Distribution	N/A	5.88	1.57	15.29	4.69
Total Amount of Loans					
Outstanding, $	19,579,073	1,164,635	609,876	901,571	595,144
Percentage Distribution	N/A	5.95	3.11	4.60	3.04
Gross New Money Loaned, $	8,179,965	607,090	319,185	320,600	388,434
Percentage Distribution	N/A	7.42	3.90	3.92	4.75
Production Credit Associations					
Total Number of Loans					
Outstanding	82,767	7,390	2,976	2,624	3,035
Percentage Distribution	N/A	8.93	3.60	3.17	3.67
Total Amount of Loans					
Outstanding, $	4,440,235	303,390	204,485	50,292	93,287
Percentage Distribution	N/A	6.83	4.61	1.13	2.10
Gross New Money Loaned, $	3,745,974	229,758	192,610	31,885	82,195
Percentage Distribution	N/A	6.13	5.14	0.85	2.19

Note: N/A = Not applicable.

[1] Less than 35 years old.

[2] Less than 6 years' farming experience.

[3] Farming assets less than $100,000 and agricultural sales less than $40,000.

Financial Tables

The financial tables that follow were developed by FCA from Call Report data submitted by each Farm Credit System (FCS) institution. The Call Report information submitted is routinely reviewed for accuracy. Although FCA believes the Call Report data are reliable, the financial data submitted by each FCS institution and contained in the Call Reports have not been audited by FCA, nor does FCA express an opinion on their content.

In addition, because of the significant intercorporate relationships that exist between and among FCS institutions, it is not possible to add financial data for each group of like entities presented in this report and obtain data for the combined FCS. Such Systemwide data would require significant intercorporate eliminations and combinations of financial data of FCS service organizations that are not included as a part of this report. The reader is referred to the *1993 Report to Investors of the Farm Credit System* issued by the Federal Farm Credit Banks Funding Corporation for condensed combined financial statements for FCS.

Financial Table 1

Farm Credit Banks Combined Statement of Financial Condition

(Dollars in Millions)

As of December 31	1993	1992[1]	1991[1]	1990[1]	1989
Assets					
Loans	$37,738.0	$38,290.9	$38,626.4	$39,824.3	$40,463.9
Allowance for Losses	(772.0)	(722.8)	(746.0)	(902.1)	(987.2)
Net Loans	37,016.0	37,568.1	37,880.3	38,922.2	39,476.7
Cash and Investments in Securities	6,167.4	6,683.7	6,388.9	7,318.6	8,057.1
Other Property Owned	131.0	247.3	316.5	281.4	385.5
Other Assets—Net	523.1	553.9	680.6	709.2	596.5
Total Assets	**43,837.5**	**45,053.1**	**45,266.4**	**47,231.3**	**48,515.9**
Liabilities					
Consolidated Systemwide and Other Bonds	27,483.0	30,496.9	30,768.3	32,872.7	34,936.2
Consolidated Systemwide Notes	11,208.9	9,469.2	9,220.2	8,197.3	7,209.3
Other Liabilities	1,107.7	1,215.6	1,399.8	1,958.1	2,663.7
Total Liabilities	**39,799.7**	**41,181.7**	**41,388.2**	**43,028.1**	**44,809.2**
Net Worth					
Capital					
Capital Stock and Participation Certificates—Protected	0.6	1.3	3.9	5.6	9.6
Capital Stock and Participation Certificates—Unprotected	1,515.2	1,594.8	1,858.5	2,687.3	2,818.7
Preferred Stock—Financial Assistance Corporation	476.7	566.7	807.3	807.3	370.6
Other Capital	113.0	104.1	(115.0)	(346.2)	(278.2)
Total Capital	**2,105.5**	**2,266.9**	**2,554.6**	**3,153.9**	**2,920.8**
Earned Net Worth	1,932.3	1,604.5	1,323.6	1,049.3	785.9
Total Net Worth	**4,037.9**	**3,871.4**	**3,878.2**	**4,203.3**	**3,706.6**
Total Liabilities and Net Worth	$43,837.5	$45,053.1	$45,266.4	$47,231.3	$48,515.9

Note: Totals may not add because of rounding.

[1] Some previously published annual data have been restated to include subsequent adjustments.

Financial Table 2

Farm Credit Banks Combined Statement of Income and Expense

(Dollars in Millions)

For the Year Ended December 31	1993	1992[1]	1991	1990	1989
Interest Income					
Loans	$2,458.2	$2,814.1	$3,406.1	$3,823.1	$4,116.8
Investments and Other	216.5	246.8	405.9	610.6	579.9
Total Interest Income	**2,674.6**	**3,060.9**	**3,812.0**	**4,433.7**	**4,696.7**
Interest Expense					
Consolidated Bonds	1,422.4	1,869.7	2,445.3	3,109.3	3,386.6
Notes and Other	331.4	365.8	564.4	608.9	715.3
Total Interest Expense	**1,753.7**	**2,235.5**	**3,009.8**	**3,718.3**	**4,101.8**
Net Interest Income (Loss)	920.9	825.4	802.2	715.5	594.9
Provision for Loan Losses	(3.9)	9.2	127.3	58.4	141.1
Net Interest Income (Loss) after Provision for Loan Losses	917.0	834.6	929.6	773.8	736.0
Other Income	80.9	78.8	69.1	46.7	128.0
Operating Expenses					
Salaries and Employee Benefits	125.5	131.9	122.6	123.1	140.6
Occupancy and Equipment Expenses	31.9	32.7	35.2	37.2	37.5
Other Operating Expenses	290.9	298.7	389.8	283.8	287.0
Total Operating Expenses	**448.3**	**463.3**	**547.6**	**444.1**	**465.1**
Other Expenses	107.2	102.1	72.4	101.3	56.1
Extraordinary Items	(22.5)	(2.9)	0.0	(10.9)	173.3
Net Income (Loss)	$419.9	$345.1	$378.7	$264.3	$516.1

Note: Totals may not add because of rounding.

[1] Some previously published annual data have been restated to include subsequent adjustments.

Financial Table 3

Farm Credit Banks Combined Trends in Selected Financial Measures

(Dollars in Millions)

As of December 31	1993	1992[1]	1991[1]	1990[1]	1989[1]
Loan Performance					
Performing[2]	$36,356.1	$36,322.0	$35,888.3	$36,083.4	$36,071.7
Formally Restructured[2]	480.2	685.9	1,028.4	1,689.4	2,083.8
Nonaccrual	891.6	1,275.5	1,700.2	2,014.3	2,164.9
Loans Past Due 90 Days or More	10.1	19.2	26.2	53.8	159.1
Net Chargeoffs on Loans	$2.3	$16.6	$25.0	$12.1	$196.5
Selected Ratios					
Return on Assets, %	0.96	0.77	0.83	0.56	1.10
Return on Equity, %	10.46	8.81	9.66	6.71	13.41
Net Interest Margin, %	2.21	1.96	1.88	1.63	1.37
Capital as a Percentage of Assets	9.21	8.59	8.57	8.90	7.64
Debt-to-Capital Ratio	9.86	10.64	10.67	10.24	12.09

1 Some previously published annual data have been restated to include subsequent adjustments.
2 Excluding loans past due 90 days or more.

Financial Table 4

Banks for Cooperatives Combined Statement of Financial Condition

(Dollars in Millions)

As of December 31	1993	1992	1991	1990	1989
Assets					
Loans	$13,484.6	$12,029.1	$11,621.5	$11,301.9	$10,676.4
Allowance for Losses	(163.9)	(157.4)	(147.5)	(151.2)	(128.3)
Net Loans	13,320.8	11,871.8	11,474.0	11,150.7	10,548.1
Cash and Investments in Securities	3,094.3	2,557.9	2,832.1	3,114.7	3,192.3
Other Property Owned	0.5	1.1	1.2	1.6	1.5
Other Assets—Net	139.3	148.7	177.0	192.5	203.9
Total Assets	**16,554.9**	**14,579.5**	**14,484.3**	**14,459.6**	**13,945.8**
Liabilities					
Consolidated Systemwide and Other Bonds	8,626.7	7,317.8	6,270.4	6,413.4	4,564.0
Consolidated Systemwide Notes	6,502.0	5,986.3	7,029.1	6,903.7	7,989.5
Other Liabilities	232.6	209.7	200.0	209.1	446.2
Total Liabilities	**15,361.2**	**13,513.9**	**13,499.5**	**13,526.2**	**12,999.7**
Net Worth					
Capital					
Capital Stock and Participation Certificates—Protected	6.5	112.5	279.2	404.3	537.2
Capital Stock and Participation Certificates—Unprotected	811.8	672.6	496.3	356.8	244.5
Preferred Stock—Financial Assistance Corporation	0.0	0.0	0.0	0.0	0.0
Other Capital	0.0	0.0	0.0	0.0	0.0
Total Capital	**818.3**	**785.2**	**775.5**	**761.1**	**781.8**
Earned Net Worth	375.4	280.4	209.3	172.2	164.3
Total Net Worth	**1,193.7**	**1,065.6**	**984.8**	**933.3**	**946.1**
Total Liabilities and Net Worth	$16,554.9	$14,579.5	$14,484.3	$14,459.6	$13,945.8

Note: Totals may not add because of rounding.

Financial Table 5

Banks for Cooperatives Combined Statement of Income and Expense

(Dollars in Millions)

For the Year Ended December 31	1993	1992	1991	1990	1989
Interest Income					
Loans	$709.4	$745.0	$875.5	$1,021.5	$1,009.3
Investments and Other	120.1	166.1	198.8	240.4	265.9
Total Interest Income	**829.5**	**911.1**	**1,074.2**	**1,261.9**	**1,275.3**
Interest Expense					
Consolidated Bonds	329.9	328.5	409.5	475.5	491.8
Notes and Other	189.8	261.8	407.1	592.7	608.8
Total Interest Expense	**519.7**	**590.2**	**816.6**	**1,068.2**	**1,100.6**
Net Interest Income (Loss)	309.8	320.9	257.6	193.7	174.7
Provision for Loan Losses	(11.0)	(24.5)	(24.4)	(27.9)	8.6
Net Interest Income (Loss) after Provision for Loan Losses	298.8	296.3	233.3	165.8	183.3
Other Income	13.6	32.9	8.7	9.0	12.9
Operating Expenses					
Salaries and Employee Benefits	43.5	40.1	35.0	31.3	27.0
Occupancy and Equipment Expenses	6.9	7.7	7.8	7.4	5.7
Other Operating Expenses	39.1	22.4	22.1	24.3	22.8
Total Operating Expenses	**89.5**	**70.3**	**64.9**	**63.0**	**55.5**
Other Expenses	62.5	87.5	57.7	40.0	34.4
Extraordinary Items	9.8	(10.7)	0.6	0.0	0.0
Net Income (Loss)	**$170.2**	**$160.7**	**$119.9**	**$71.8**	**$106.3**

Note: Totals may not add because of rounding.

Financial Table 6

Banks for Cooperatives Combined Trends in Selected Financial Measures

(Dollars in Millions)

As of December 31	1993	1992	1991	1990	1989
Loan Performance					
Performing[1]	$13,458.5	$11,970.3	$11,495.6	$11,103.1	$10,575.0
Formally Restructured[1]	10.3	10.1	11.8	92.6	85.8
Nonaccrual	15.1	48.1	113.5	100.5	12.5
Loans Past Due 90 Days or More	0.7	0.6	1.6	7.3	3.0
Net Chargeoffs on Loans	$4.5	$14.6	$28.1	$5.0	($8.4)
Selected Ratios					
Return on Assets, %	1.10	1.09	0.86	0.51	0.80
Return on Equity, %	13.69	14.22	11.16	6.74	10.02
Net Interest Margin, %	2.05	2.23	1.92	1.41	1.34
Capital as a Percentage of Assets	7.2	7.31	6.80	6.45	6.78
Debt-to-Capital Ratio	12.87	12.68	13.71	14.49	13.74

[1] Excluding loans past due 90 days or more.

Financial Table 7

Direct Lender Associations Combined Statement of Financial Condition[1]

(Dollars in Millions)

As of December 31	1993	1992[2]	1991[2]	1990[2]	1989
Assets					
Loans	$26,416.0	$25,045.9	$23,816.2	$17,692.9	$15,475.6
Allowance for Losses	(601.1)	(566.0)	(551.4)	(388.1)	(376.0)
Net Loans	25,814.9	24,479.9	23,264.8	17,304.8	15,099.6
Cash and Investments in Securities	47.1	71.1	82.9	72.1	70.5
Other Property Owned	56.9	70.6	94.3	63.6	75.7
Other Assets—Net	2,238.0	1,957.9	2,085.8	1,867.7	1,895.9
Total Assets	**28,156.9**	**26,579.5**	**25,527.9**	**19,308.2**	**17,141.7**
Liabilities					
Consolidated Systemwide and Other Bonds	N/A	N/A	N/A	N/A	N/A
Consolidated Systemwide Notes	N/A	N/A	N/A	N/A	N/A
Other Liabilities	23,136.3	22,279.2	21,705.3	16,459.2	14,494.0
Total Liabilities	**23,136.3**	**22,279.2**	**21,705.3**	**16,459.2**	**14,494.0**
Net Worth					
Capital					
Capital Stock and Participation Certificates—Protected	214.0	146.2	193.6	125.4	173.0
Capital Stock and Participation Certificates—Unprotected	1,262.8	1,231.2	1,169.2	763.7	641.2
Preferred Stock—Financial Assistance Corporation	0.0	0.0	0.0	0.0	0.0
Other Capital	100.5	108.8	108.6	123.0	121.3
Total Capital	**1,577.3**	**1,486.3**	**1,471.4**	**1,012.0**	**935.4**
Earned Net Worth	3,443.3	2,814.0	2,351.2	1,837.0	1,712.2
Total Net Worth	**5,020.6**	**4,300.3**	**3,822.6**	**2,849.0**	**2,647.7**
Total Liabilities and Net Worth	$28,156.9	$26,579.5	$25,527.9	$19,308.2	$17,141.7

Note: Totals may not add because of rounding. N/A = Not applicable.

1 Includes Production Credit Associations (PCAs), Agricultural Credit Associations (ACAs), and Federal Land Credit Associations (FLCAs). 1993, 1992, 1991, 1990, and 1989 figures are not comparable to previous years because of mergers of Federal Land Bank Associations and PCAs into ACAs, and creation of FLCAs and downloading of farm real estate loans from Farm Credit Banks.

2 Some previously published annual data have been restated to include subsequent adjustments.

Financial Table 8

Direct Lender Associations Combined Statement of Income and Expense[1]

(Dollars in Millions)

For the Year Ended December 31	1993	1992[2]	1991[2]	1990[2]	1989
Interest Income					
Loans	$1,998.7	$2,098.0	$2,110.5	$1,743.1	$1,557.8
Investments and Other	2.0	4.4	8.2	9.9	17.8
Total Interest Income	**2,000.7**	**2,102.4**	**2,118.6**	**1,753.0**	**1,575.6**
Interest Expense					
Consolidated Bonds	N/A	N/A	N/A	N/A	N/A
Notes and Other	1,146.2	1,331.2	1,496.6	1,326.6	1,248.3
Total Interest Expense	**1,146.2**	**1,331.2**	**1,496.6**	**1,326.6**	**1,248.3**
Net Interest Income (Loss)	854.4	771.3	622.0	426.4	327.2
Provision for Loan Losses	(34.2)	(40.9)	(49.7)	(10.8)	64.7
Net Interest Income (Loss) after Provision for Loan Losses	820.3	730.3	572.3	415.6	391.9
Other Income	272.8	303.9	231.2	101.4	101.5
Operating Expenses					
Salaries and Employee Benefits	316.8	290.3	260.6	194.1	185.2
Occupancy and Equipment Expenses	38.7	35.0	32.2	25.7	24.6
Other Operating Expenses	165.4	153.1	144.6	103.4	90.1
Total Operating Expenses	**520.9**	**478.4**	**437.5**	**323.1**	**299.9**
Other Expenses	130.3	131.9	98.0	72.4	83.6
Extraordinary Items	81.1	8.0	6.2	5.5	13.7
Net Income (Loss)	**$522.8**	**$431.8**	**$274.3**	**$127.0**	**$123.7**

Note: Totals may not add because of rounding.

[1] Includes Production Credit Associations (PCAs), Agricultural Credit Associations (ACAs), and Federal Land Credit Associations (FLCAs). 1993, 1992, 1991, 1990, and 1989 figures are not comparable to previous years because of mergers of Federal Land Bank Associations and PCAs into ACAs, and creation of FLCAs and downloading of farm real estate loans from Farm Credit Banks.

[2] Some previously published annual data have been restated to include subsequent adjustments.

Financial Table 9

Direct Lender Associations Combined Trends in Selected Financial Measures[1]

(Dollars in Millions)

As of December 31	1993	1992[2]	1991	1990[2]	1989
Loan Performance					
Performing[3]	$25,706.1	$24,117.6	$22,704.6	$16,632.4	$14,500.5
Formally Restructured[3]	137.1	228.3	356.0	412.9	433.1
Nonaccrual	556.2	659.9	683.4	577.4	513.7
Loans Past Due 90 Days or More	16.6	40.1	72.2	70.4	129.7
Net Chargeoffs on Loans	$0.9	$7.3	$19.8	$9.3	$10.8
Selected Ratios					
Return on Assets, %	1.92	1.65	1.19	0.70	0.78
Return on Equity, %	11.16	10.52	7.66	4.53	4.70
Net Interest Margin, %	3.49	3.26	3.04	2.76	2.48
Capital as a Percentage of Assets	17.83	16.18	14.97	14.76	15.45
Debt-to-Capital Ratio	4.61	5.18	5.68	5.78	5.47

1 Includes Production Credit Associations (PCAs), Agricultural Credit Associations (ACAs), and Federal Land Credit Associations (FLCAs). 1993, 1992, 1991, 1990, and 1989 figures are not comparable to previous years because of mergers of Federal Land Bank Associations and PCAs into ACAs, and creation of FLCAs and downloading of farm real estate loans from Farm Credit Banks.

2 Some previously published annual data have been restated to include subsequent adjustments.

3 Excluding loans past due 90 days or more.

Financial Table 10

Federal Land Bank Associations Combined Statement of Financial Condition[1]

(Dollars in Millions)

As of December 31	1993	1992[2]	1991	1990	1989
Assets					
Loans[3]	N/A	N/A	N/A	N/A	N/A
Allowance for Losses[4]	N/A	N/A	N/A	N/A	N/A
Net Loans	N/A	N/A	N/A	N/A	N/A
Cash and Investments in Securities	$263.9	$275.2	$224.7	$241.9	$211.0
Other Property Owned	0.0	0.0	0.0	0.3	0.3
Other Assets—Net	268.5	473.4	480.2	1,339.7	1,466.3
Total Assets	**532.4**	**748.5**	**705.0**	**1,581.9**	**1,677.6**
Liabilities					
Consolidated Systemwide and Other Bonds	N/A	N/A	N/A	N/A	N/A
Consolidated Systemwide Notes	N/A	N/A	N/A	N/A	N/A
Other Liabilities	46.0	55.0	72.1	103.9	97.3
Total Liabilities	**46.0**	**55.0**	**72.1**	**103.9**	**97.3**
Net Worth					
Capital					
Capital Stock and Participation Certificates–Protected	17.7	140.1	189.9	712.7	958.7
Capital Stock and Participation Certificates–Unprotected	200.0	216.5	229.5	305.0	215.8
Other Capital	0.0	0.0	0.0	0.0	(33.5)
Total Capital	**217.8**	**356.6**	**419.4**	**1,017.6**	**1,141.0**
Earned Net Worth	268.7	337.0	213.4	460.4	439.3
Total Net Worth	**486.4**	**693.5**	**632.8**	**1,478.0**	**1,580.3**
Total Liabilities and Net Worth	**$532.4**	**$748.5**	**$705.0**	**$1,581.9**	**$1,677.6**

Note: Totals may not add because rounding. N/A = Not applicable.

1 1993, 1992, 1991, 1990, and 1989 figures are not comparable to previous years because of mergers of Federal Land Bank Associations (FLBAs) and Production Credit Associations into Agricultural Credit Associations, and creation of Federal Land Credit Associations and downloading of farm real estate loans from Farm Credit Banks, (FCBs).

2 Some previously published annual data have been restated to include subsequent adjustments.

3 The FLBAs act as agents for the FCBs (formerly Federal Land Banks) in the lending process but do not hold loans themselves.

4 FLBAs in some districts have liability for losses on FCB (formerly Federal Land Bank) loans. Because FLBAs do not make loans, the FLBA allowance for loan losses is included in FLBA liabilities.

Financial Table 11

Federal Land Bank Associations Combined Statement of Income and Expense[1]

(Dollars in Millions)

For the Year Ended December 31	1993	1992	1991[2]	1990	1989
Interest Income					
Loans	$0.0	$0.0	$0.0	$0.0	$0.0
Investments and Other	2.4	1.7	2.9	2.4	2.5
Total Interest Income	**2.4**	**1.7**	**2.9**	**2.4**	**2.5**
Interest Expense					
Consolidated Bonds	N/A	N/A	N/A	N/A	N/A
Notes and Other	N/A	N/A	N/A	N/A	N/A
Total Interest Expense	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Net Interest Income (Loss)	2.4	1.7	2.9	2.4	2.5
Provision for Loan Losses	1.4	(2.1)	(5.3)	(5.8)	(3.2)
Net Interest Income (Loss) after Provision for Loan Losses	3.8	(0.4)	(2.5)	(3.4)	(0.7)
Other Income	168.5	208.0	125.1	234.5	277.4
Operating Expenses					
Salaries and Employee Benefits	45.0	47.0	60.6	108.9	103.8
Occupancy and Equipment Expenses	5.9	6.3	8.0	15.2	14.0
Other Operating Expenses	22.0	24.4	31.1	46.0	35.8
Total Operating Expenses	**73.0**	**77.7**	**99.6**	**170.0**	**153.6**
Other Expenses	0.1	0.0	5.2	6.0	0.2
Extraordinary Items	(0.4)	(0.6)	0.0	0.0	(21.1)
Net Income (Loss)	**$98.8**	**$129.2**	**$17.8**	**$55.0**	**$101.9**

Note: Totals may not add because rounding. N/A = Not applicable.

[1] 1993, 1992, 1991, 1990, and 1989 figures are not comparable to previous years because of mergers of Federal Land Bank Associations and Production Credit Associations into Agricultural Credit Associations, and creation of Federal Land Credit Associations and downloading of farm real estate loans from Farm Credit Banks.

[2] Some previously published annual data have been restated to include subsequent adjustments.

Financial Table 12

Federal Land Bank Associations Combined Trends in Selected Financial Measures[1]

(Dollars in Millions)

As of December 31	1993	1992[2]	1991	1990	1989
Loan Performance					
Performing	N/A	N/A	N/A	N/A	N/A
Formally Restructured	N/A	N/A	N/A	N/A	N/A
Nonaccrual	N/A	N/A	N/A	N/A	N/A
Loans Past Due 90 Days or More	N/A	N/A	N/A	N/A	N/A
Net Chargeoffs on Loans	$1.1	$5.8	$4.1	$6.7	$5.5
Selected Ratios					
Return on Assets, %	14.21	19.22	1.95	3.39	5.57
Return on Equity, %	15.25	21.14	2.17	3.61	5.96
Net Interest Margin, %	N/A	N/A	N/A	N/A	N/A
Capital as a Percentage of Assets	91.37	92.65	89.77	93.43	94.20
Debt-to-Capital Ratio	0.09	0.08	0.11	0.07	0.06

Note: N/A = Not applicable.

[1] 1993, 1992, 1991, 1990, and 1989 figures are not comparable to previous years because of mergers of Federal Land Bank Associations and Production Credit Associations into Agricultural Credit Associations, and creation of Federal Land Credit Associations and downloading of farm real estate loans from Farm Credit Banks.

[2] Some previously published annual data have been restated to include subsequent adjustments.

Additional Information

This report is published in accordance with Section 5.17(a)(3) of the Farm Credit Act of 1971, as amended. A more comprehensive discussion of the financial condition and performance of the Farm Credit System (FCS) may be found in FCA's quarterly reports: *Risk Analysis of Farm Credit System Operations*, published for the quarters ended March 31 and September 30, 1993, and *Risk Analysis of Farm Credit System Operations and Economic Outlook*, published for the quarters ended June 30 and December 31, 1993. These publications and annual reports of FCA for the past five years, depending on availability, may be obtained without charge from the Office of Congressional and Public Affairs, Farm Credit Administration, 1501 Farm Credit Drive, McLean, VA 22102-5090; telephone (703)883-4056.

Disclosure to investors in FCS securities is made by the Federal Farm Credit Banks Funding Corporation through annual and quarterly information statements, published as part of the *Report to Investors*, and through its *Summary Report of Condition and Performance of the Farm Credit System*, which is published each quarter. Copies of these reports for the current and two preceding fiscal years are available without charge from the 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, which ensures the timely payment of principal and interest on insured securities issued by FCS banks, publishes an annual report. Copies are available from the Farm Credit System Insurance Corporation, 1501 Farm Credit Drive, McLean, VA 22102-0826; telephone (703)883-4380.

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1993 ANNUAL REPORT

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