1987

Annual Report

Farm Credit Administration

Message from the Chairman

CHAIRMAN OF THE FARM CREDIT ADMINISTRATION
McLEAN, VA 22102-5090

Dear Reader:

The 1987 Farm Credit Administration Annual Report constitutes this agency's obligation under the law to report to Congress and the public the condition of the Farm Credit System as seen through the eyes of its Federal financial regulator.

This report outlines the implementation of the Farm Credit Act Amendments of 1985 in their first full year of application and the adjustment provided by the Farm Credit Amendments Act of 1986. Despite these changes, additional legislation was necessary resulting in the Agricultural Credit Act of 1987, which was passed by Congress in late December.

Through the first two quarters of 1987, the Farm Credit System continued to show the same earnings problems that resulted in $4.6 billion of losses through the previous two years. Beginning in the third quarter and through the fourth quarter, however, the outlook for agribusiness appeared to improve somewhat resulting in a downward adjustment by system institutions in loan loss provisions. This adjustment was a significant factor in increasing system income for the year.

As always, the Farm Credit Administration Board and staff will continue to work to ensure a reliable source of agricultural credit for the farmers and ranchers of America.

Sincerely,

F W Naylor Jr.

Frank W. Naylor, Jr.
Chairman
Farm Credit Administration Board

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Farm Credit Administration Organization

Farm Credit Administration Senior Officials

Office of the Farm Credit Administration Board

Frank W. Naylor, Jr.
Chairman

Marvin R. Duncan
Member

Jim R. Billington
Member

David A. Hill
Secretary

Office of Congressional & Public Affairs
Francis J. Boyd, Jr.
Director

Office of Examination
David C. Baer
Director and Chief Examiner

Office of Analysis & Supervision
Michael J. Powers
Director

Office of Administration
Michael A. Bronson
Director

Office of Internal Audit
Norman E. Mattson
Director

Office of General Counsel
Anne E. Dewey
General Counsel

The Farm Credit System

The Farm Credit Administration (FCA) is the independent Federal agency responsible for the regulation and examination of the Federally chartered instrumentalities that make up the Farm Credit System. The Farm Credit System is comprised of 12 Farm Credit Districts serving the entire Nation and the Commonwealth of Puerto Rico. At the same location in each Farm Credit District there is a Federal Land Bank (FLB), a Federal Intermediate Credit Bank (FICB), and a Bank for Cooperatives (BC). There is also a Central Bank for Cooperatives (CBC). In all but one district, the three banks are under common management. As noted in the section that follows, the organizational structure will change because of the Agricultural Credit Act of 1987, which was enacted January 6, 1988.

The Federal Land Banks make long-term loans secured by first mortgages on farm and rural real estate. Loans are made through 232 Federal Land Bank Associations (FLBAs), most of which have branch offices. The loans have terms of from 5 to 40 years and may be made in amounts of up to 85 percent of the appraised value of the real estate security and of up to 97 percent if the loan is guaranteed by a government agency. Eligible borrowers include farmers, ranchers, producers and harvesters of aquatic products, rural homeowners, and selected farm related businesses.

The Federal Intermediate Credit Banks provide loan funds to 135 Production Credit Associations (PCAs), most of which have branch offices, and to other financing institutions serving eligible borrowers. PCAs serve the same kinds of borrowers as the FLBs. A large portion of their loans are made for production purposes and mature within a year. Farm and rural home loans, however, may have terms of up to 10 years, and loans to producers and harvesters of aquatic products may be made for up to 15 years.

The district Banks for Cooperatives make seasonal and term loans to agricultural, aquatic, and rural utility cooperatives with headquarters within their respective territories. The Central Bank for Cooperatives participates with the district banks in loans that exceed their individual lending capacities and handles the international financing transactions of borrowing cooperatives.

As a condition to obtaining loans, borrowers are required to buy stock in the Federal Land Bank Associations and Production Credit Associations in direct proportion to the amount borrowed. The stockholders of each association directly elect its board of directors from among themselves. Similarly, the Federal Land Bank Associations and Production Credit Associations in each district capitalize their Federal Land Bank and Federal Intermediate Credit Bank, respectively. A cooperative must own at least one share of stock in the district Bank for Cooperatives to obtain a loan and must provide additional capitalization on an equitable basis.

The Federal Land Bank, Federal Intermediate Credit Bank, and Bank for Cooperatives in each district are under the control of a single seven-member board of directors, which serves as the board of each bank individually and as a district board in matters affecting all three banks. Two directors are elected by the boards of the district's Federal Land Bank Associations, two by the boards of its Production Credit Associations, and two by the boards of cooperatives owning stock in the district Bank for Cooperatives. The seventh member is elected by the stockholders at-large. The board of directors of the Central Bank for Cooperatives has 13 members. Twelve of its members are elected—one each—by the boards of the district Banks for Cooperatives. The thirteenth is appointed by the Farm Credit Administration.

System institutions obtain the vast majority of their loan funds through the sale of securities to investors in the money and capital markets. These securities, which are the joint and several obligations of all 37 banks, are sold through the Federal Farm Credit Banks Funding Corporation. The funding corporation is owned by the 37 banks and subject to regulation and examination by the Farm Credit Administration. Other non-lending institutions of the system are the Farm Credit Corporation of America, which provides leadership, coordination, and planning for the system as approved by district boards, the Farm Credit Leasing Services Corporation, which leases or arranges leases for cooperatives and their producers, and the Farm Credit System Capital Corporation*, which is intended to provide technical and financial assistance to troubled institutions and their borrowers.

*The Farm Credit System Capital Corporation was abolished by the Agricultural Credit Act of 1987.

For the third time in three years, the Congress approved legislation to assist financially troubled Farm Credit System institutions and their distressed borrowers. The authorities for providing that assistance are contained in the Agricultural Credit Act of 1987.

The first effort came with the Farm Credit Amendments Act of 1985, which was intended to cause financially strong system institutions to aid those that were weak and, if necessary, provide a mechanism for Federal assistance. This was to be accomplished by providing funds to the Farm Credit System Capital Corporation, which was established by the amendments. The corporation would use those funds to buy the non-performing loans and acquired properties of troubled institutions. It would then attempt to assist borrowers by restructuring those loans. It would also attempt to dispose of the acquired properties in an orderly fashion. Those efforts, however, were obstructed by certain system institutions through legal actions challenging the assessment provisions of the law and its implementing regulations.

The Farm Credit Act Amendments of 1986 authorized system institutions to use Regulatory Accounting Practices, which permitted them to defer and capitalize a portion of interest costs, premiums paid to retire high cost debt, and provisions for loan losses. This permitted some institutions to operate at capital levels that would have otherwise required the FCA to liquidate them.

These practices were intended to be temporary measures until permanent solutions to the system's problems could be found. Originally due to expire December 31, 1988, the authority for system institutions to use Regulatory Accounting Practices has been extended until December 31, 1992 by the Agricultural Credit Act of 1987, which was passed by the House of Representatives on December 18, 1987, and by the Senate on December 19, 1987. The 1987 act is intended to strengthen the Farm Credit System, provide credit assistance to farmers, and facilitate the establishment of a secondary market for farm loans.

Assistance to the Farm Credit System

The Agricultural Credit Act of 1987 provides for financial assistance to certain troubled Farm Credit System institutions through the sale of up to $4 billion in 15-year uncollateralized bonds guaranteed by the U.S. Treasury. The law establishes a Farm Credit System Assistance Corporation, which may issue the bonds and use the funds to buy preferred stock in the troubled institutions. It is authorized to issue up to $2.8 billion in bonds during the period March 8, 1988 through September 30, 1992. After January 1, 1989, if it is determined more funds are needed, the corporation can issue up to $1.2 billion in additional bonds, 90 days after filing a report with the Congress. The board of directors of the Federal Farm Credit Banks Funding Corporation will serve as the board of the assistance corporation.

The assistance corporation will pay all interest costs on the bonds for the first five years. In the next five years, the interest costs will be shared equally by the Treasury and the system, except the system will pay more as earnings permit. The system will pay all the interest costs during the last five years. At the end of 15 years, the Farm Credit Administration in consultation with the Treasury, will determine a schedule under which the system will repay all interest payments previously made by the Treasury. Eventual repayment of all obligations will come from funds of system institutions or by refinancing the debt. Refinanced obligations will be solely the obligations of the institutions.

The act provides for a one-time stock purchase in the assistance corporation by system institutions. Each bank is required to purchase stock in an amount equal to its unallocated retained earnings in excess of 5 percent of its assets as of December 31, 1986. For each association, the amount is equal to its unallocated retained earnings in excess of 13 percent of assets.

With the unanimous consent of all the affected banks and associations within a district, the district board may re-allocate these required stock purchases involving a bank and like associations in that district.

Funds from this one-time assessment will be placed in a Financial Assistance Corporation Trust Fund. They will be available to make payments of principal and interest on assistance corporation obligations if an institution that is liable for such payments defaults or is unable to redeem the preferred stock it issues to the assistance corporation as a condition for receiving assistance.

The act also provides that the assistance corporation will assume the obligations of certain system banks arising from voluntary loss sharing agreements during the third quarter of calendar year 1986. The payment obligations of contributing banks will be converted to accounts payable by the assistance corporation and accounts receivable on the books of receiving banks.

To administer financial assistance to Farm Credit System institutions, the law establishes a Farm Credit System Assistance Board, composed of the Secretary of the Treasury, the Secretary of Agriculture, and an agricultural producer experienced in financial matters, who will be appointed by the President with the advice and consent of the Senate. When the assistance board is chartered, the charter of the Farm Credit System Capital Corporation will be revoked, and the assistance board will assume its assets and liabilities. The powers of the assistance board do not, however, include the management, administration, or purchase or disposition of any loans or other assets owned by system institutions. The purpose of financial assistance, as reflected in the law, is to protect the stock of borrowers, assist in restoring system institutions to economic viability, and permit the system's banks and associations to provide credit at reasonable and competitive terms.

An institution may apply to the assistance board for certification to issue preferred stock and receive financial assistance when the book value of its stock is less than par under Generally Accepted Accounting Principles. An institution must, however, apply for assistance if the book value of its stock falls below 75 pecent of par.

If, upon reviewing an institution's application for assistance, the assistance board determines that other actions would be less costly and would better serve the credit needs of the area, it can make specific requests of the Farm Credit Administration, including that the FCA approve a merger with one or more other system institutions. Mergers must also be approved by the stockholders of all institutions involved. The assistance board can also direct the FCA to appoint a conservator or receiver for a troubled institution.

The law gives the assistance board the authority to impose terms and conditions on institutions as a prerequisite to receiving assistance that are designed to improve their financial performance and ensure the effective and efficient use of funds. The assistance board can require institutions to obtain approval of credit and interest rate policies and business, operating, and investment plans and policies. It can also request that the FCA take an enforcement action against an institution that is not complying with the assistance board's terms of assistance.

To help carry out its authorities, the assistance board has access to FCA Reports of Examination and supervisory documents. These are provided under terms acceptable to the FCA that will appropriately protect the confidentialty of regulatory materials.

Protection of Stock and Capitalization

As a condition to obtaining loans, borrowers from system institutions have been required to purchase stock in those institutions in proportion to the amount borrowed. Such stock has ordinarily been retired at its par value when the loan is repaid. More recently, the use of Regulatory Accounting Practices has permitted system institutions to remain in operation when the value of their stock according to Generally Accepted Accounting Principles drops below the par value of the investment. The new law protects the value of stock of system borrowers by requiring institutions to retire that stock at its par value when loans are paid in full. This guarantee will cover stock that is outstanding at the date of enactment and stock purchased within nine months after enactment or the adoption of a new capitalization plan by the institution, whichever is earlier. The stock of Production Credit Associations placed in liquidation after January 1, 1983, is also guaranteed. The funds for the guarantee will initially come from the sale of preferred stock to the Farm Credit System Assistance Corporation by the institutions.

The new act requires each system institution to adopt capitalization bylaws, which must be approved by a majority of its stockholders present and voting in person or by proxy at a duly authorized stockholder meeting. It also requires that the Farm Credit Administration issue regulations establishing capital adequacy standards for system institutions based on Generally Accepted Accounting Principles. The standards will be phased in over five years. During that period, the FCA cannot initiate any receivership, conservatorship, liquidation, or enforcement action against any institution certified by the assistance board to issue preferred stock solely because of its failure to meet those standards unless the action is recommended or concurred with by the Farm Credit System Assistance Board.

The new act prohibits an institution from reducing capital through patronage refunds or dividends or from retiring stock or allocated equities if such action would prevent the institution from meeting minimum capital adequacy standards. This provision does not apply to non-cash patronage refunds or cash refunds when the cash portion of the refund, if any, is the minimum required to qualify the refund as tax deductible and the remainder qualifies as permanent capital. The FCA can issue directives to effect compliance with the statutory provisions.

The act provides greater flexibility for system institutions to determine their capital structures and classes and types of stock. However, when the loan is made, each borrower must acquire voting stock of $1,000 or 2 percent of the loan, whichever is less. Stock is no longer retired upon repayment of the loan. Rather, it must be retireable at the discretion of the board of directors. Thus, at-risk borrower stock is maintained as a component of the capital base of system institutions. A portion of the stock held before enactment will be converted to voting stock.

Each institution has the authority to define other classes of stock, including non-voting stock, and issue stock to persons other than borrowers. Except for the minimum stock purchase, institutions do not have to require stock purchases based on a proportion of the loan.

Farm Credit System Insurance Corporation

The law establishes a Farm Credit System Insurance Corporation and a Farm Credit Insurance Fund to insure the timely payment of principal and interest on notes, bonds, debentures, and other obligations of eligible and participating system institutions.

The insurance fund is initially capitalized by a revolving fund under the jurisdiction of the Farm Credit Administration. Beginning not later than January 5, 1989, each system bank will become insured for purposes of paying premiums and subject to the provisions of law governing the insurance corporation and its powers. The corporation will be managed by a board of directors, whose members will be the members of the Farm Credit Administration Board. Its chairman, however, will be a board member other than the chairman of the Farm Credit Administration Board.

System institutions are to make the initial premium payment in January 1990, with payments based on the accruing and non-accruing loan volume of each bank for the calendar year 1989. The act specifies that in the first year the annual insurance premiums of an institution will be equal to .0015 percent of its accruing and .0025 percent of its non-accruing loan volume. When the fund reaches 2 percent of the aggregate outstanding insured obligations of all insured system institutions, which is called the secure base amount, or such other amount the insurance corporation determines is actuarily sound, the corporation will set appropriate premiums.

The fund will begin insuring obligations January 5, 1993, after the expiration of the authority of the Farm Credit System Assistance Board to provide assistance. Joint and several liability for system debt obligations remains, but only if all monies in the insurance fund have been exhausted. Insurance coverage is to begin five years after enactment, with the insurance corporation expending funds to ensure the timely payment of interest and principal on insured obligations, satisfy defaults on repurchase of preferred stock, and guarantee the retirement at par value of borrower stock currently outstanding or purchased within nine months after enactment.

Restructuring the Farm Credit System

The law both mandates some organizational restructuring among Farm Credit System institutions and permits additional voluntary restructuring.

Within six months after the date of enactment, the Federal Land Bank and the Federal Intermediate Credit Bank in each Farm Credit District are required to merge. The resulting Farm Credit Bank will be a Federally chartered instrumentality of the United States with corporate powers similar to those formerly held by the FLB and FICB. Each Farm Credit Bank will elect a board of directors in accordance with its bylaws. At least one member of the board will be elected by the other directors and shall not be a director, officer, employee, or stockholder of any system institution.

Within six months of the mergers of the FLBs and FICBs, the board of directors of each FLBA and PCA that share substantially the same geographic territory must submit a plan to their stockholders for merging the two associations. The plan must first be approved by the district Farm Credit Bank and the Farm Credit Administration. If the plan is approved and adopted by the stockholders, the resulting association will be a direct lender and obtain its loan funds from the Farm Credit Bank in the same manner as PCAs now obtain loan funds from the FICBs. The boards of directors of associations, whether merged or not, will be elected from among their stockholders, except that at least one member will be elected by the other directors and shall not be a director, officer, employee, or stockholder of any system institution.

The law establishes a process over an 18-month period for the development and consideration of a plan to merge the existing 12 Farm Credit Districts into no fewer than six. The plan must be submitted to the stockholders of each affected Farm Credit Bank no later than July 1989. Within six months after enactment, a special committee must be selected in accordance with Farm Credit Administration regulations to develop a proposal to consolidate the districts. The committee will be composed of one representative from each Farm Credit Bank board and the members of the Farm Credit System Assistance Board. This committee has six months to develop a consolidation proposal and is required to report on a quarterly basis to the House and Senate

Agriculture Committees on its progress. Before any consolidation proposal is submitted for a vote, the proposal and all disclosure information must first be approved by the Farm Credit Administration, by a majority vote of the Farm Credit System Assistance Board, and by those members of the special committee who represent districts affected by the plan. Each association is entitled to cast a number of votes equal to the number of its voting stockholders.

The law also provides for a special committee to develop a proposal for the voluntary merger of the 12 district Banks for Cooperatives and the Central Bank for Cooperatives. The committee will be composed of one director from each district bank and one from the CBC and has six months from the date of enactment to submit the proposal. A vote is to be taken in each district based on both a majority of stockholders and a majority of equity.

If the stockholders of eight or more district banks approve the merger proposal, their banks and the CBC will be merged into a National Bank for Cooperatives. Both the National Bank for Cooperatives and the district banks not voting to merge will be authorized to extend credit and related services in all territories served by the Farm Credit System.

If fewer than eight district banks and a numerical majority of stockholders in the CBC agree to merge, they will form a United Bank for Cooperatives. The United Bank for Cooperatives and the district banks not agreeing to merge will be limited to serving only their respective territories.

District banks not participating in any merger will continue to receive the same credit and credit related services from the National Bank for Cooperatives or the United Bank for Cooperatives that they now receive from the CBC.

A system institution may terminate its status as a system institution if it meets certain criteria, including approval of the FCA and the termination is approved by a majority of the stockholders of the institution voting, in person or by proxy, at a duly authorized stockholder meeting.

With the exception of the vote to merge the Banks for Cooperatives into a National Bank for Cooperatives or a United Bank for Cooperatives, the law requires that after an affirmative stockholder vote to merge institutions, merge districts, transfer authorities, or terminate their status as system institutions, the stockholders will be given 30 days in which to reconsider the action. Stockholders have the right to reconsider these votes if a petition in favor of reconsideration is signed by at least 15 percent of the stockholders of one or more of the affected banks or associations. The reconsideration request must be presented to the FCA within 30 days of required notification of the original vote. In addition, the Farm Credit Administration must issue regulations under which the stockholders of any association that voluntarily merged with one or more associations after December 23, 1985, and before the date of enactment, may petition for the opportunity to organize as a separate association.

Provisions in the law also afford the opportunity for FLBAs and PCAs that serve chartered territories adjoining another Farm Credit District to petition the FCA to become part of that district. This would first require that 15 percent of the association's stockholders sign the petition and that the petition be submitted within a year of enactment. It would then require the approval of the FCA, the Farm Credit System Assistance Board, the board of directors of the adjoining district, and a majority of the association's stockholders.

Assistance to Farm Credit System Borrowers

The Farm Credit Amendments Act of 1985 contains an array of borrower rights provisions. The new law reaffirms the rights of borrowers to have access to loan documents, to be informed of real interest rates and what could affect them, to have access to stockholder lists for proper purposes, and to appeal to a credit review committee for reconsideration of loan applications that have been denied or reduced in amount. It adds to that appeal process, at the applicant's expense, an independent appraisal of collateral. It also requires the institution to provide the borrower, at his or her request, with each appraisal of collateral made or used by the institution.

The new law protects borrowers from foreclosure for failing to post additional collateral if all accrued principal, interest, and penalties with respect to their loans have been paid. It also protects the borrower from acceleration when the loan is current unless the borrower sells or otherwise disposes of collateral. If an institution offers more than one interest rate, at the request of the borrower, the lender must review the loan to determine if the proper interest rate has been established, provide the borrower with a written explanation of the basis for the rate being charged, and provide a written explanation of how the borrower's credit status can be improved to receive a lower rate.

All Farm Credit System institutions that make loans to farmers and other financing institutions (OFIs) that discount with the Federal Intermediate Credit Banks are defined as qualified lenders and are required to restructure loans if restructuring is a less costly alternative than foreclosure. For the OFIs, restructuring applies only to those pledged or discounted under Section 2.3 (a) of the statute. When the lender has determined that a loan has become distressed, and not later than 45 days before beginning foreclosure proceedings, the borrower must be informed that the loan may be suitable for restructuring and must be provided with a copy of the institution's restructuring policy and all material necessary to apply for restructuring.

Even if the borrower does not apply, the lender may propose a restructuring plan. The board of directors in each Farm Credit District must develop a restructuring policy within 60 days of enactment and submit it to the Farm Credit Administration. Each institution certified to issue preferred stock for the purpose of receiving financial assistance must review all non-accrual loans that have not been restructured within nine months after certification for assistance to determine if restructuring is appropriate.

Restructuring includes rescheduling, reamortization, renewal, deferral of principal or interest, monetary concessions, and the taking of any other action to modify the terms of a loan in any way that will make it probable that the operations of the borrower will become financially viable.

A distressed loan is one that the borrower does not have the financial capacity to repay according to its terms and that exhibits at least one of the following characteristics:

- the borrower is demonstrating adverse financial and repayment trends; and
- the loan is delinquent or past due under the terms of the loan contract; or
- one or both of those factors, together with inadequate collateralization, presents a high probability of loss to the lender.

The cost of foreclosure includes:

- the difference between the outstanding balance and the liquidation value of the loan, taking into consideration the borrower's repayment capacity and the net recovery value of the collateral;
- the estimated cost of maintaining the loan as a nonperforming asset;
- the estimated cost of administrative and legal actions necessary to foreclose on the loan and dispose of the property acquired, including attorneys' fees, court costs, and sales costs;
- the estimated cost of changes in the value of collateral used to secure the loan during the period beginning on the date of the initiation of an action to foreclose or liquidate the loan and ending on the date of the disposition of the collateral; and
- all other costs incurred as a result of foreclosure or liquidation.

In making the determination of whether to restructure or foreclose, the lender must also consider:

- the present value of interest income and principal foregone by the lender in carrying out the restructuring plan;
- reasonable and necessary administrative expenses in working with the borrower to finalize and implement the restructuring plan;
- whether the borrower has presented a preliminary restructuring plan and cash flow analysis taking into account income from all sources to be applied to the debt and all assets to be pledged, showing a reasonable probability that orderly debt retirement will occur as a result of the proposed restructuring; and
- whether the borrower has furnished or is willing to furnish complete and current financial statements in a form acceptable to the institution.

If restructuring is denied, the borrower can appeal the decision through a credit review committee. The board of directors of each Farm Credit District in which an institution is receiving assistance must establish a special asset group to review determinations of institutions receiving assistance not to restructure. The Farm Credit System Assistance Board must establish a National Special Asset Council to review a sample of determinations not to restructure by each district special asset group. The district review and national monitoring are internal processes to ensure that system institutions receiving assistance are meeting the debt restructuring provisions of the law.

Each qualified lender must review its distressed loans and the financial effect of restructuring on the lender and submit semi-annual reports to the Farm Credit Administration for five years.

When property is acquired through foreclosure upon or voluntarily conveyed to the lender in lieu of foreclosure, the law establishes the right of first refusal for certain previous owners. These provisions set forth the circumstances under which previous owners must be given the opportunity to purchase or lease the property before a system institution may sell it or lease it to someone else. The provisions are available to previous owners who lacked the financial resources to avoid foreclosure.

In general, the qualifying previous owners must be notified by certified mail of the opportunity to purchase or lease the property at fair market value or to make an offer at a price below fair market value when the institution first elects to sell or lease the property. The previous owner must be given a reasonable period of time to respond to the notice. The institution must accept an offer from the previous owner for appraised fair market value. If the institution rejects the previous owner's offer for below market value, it cannot later sell or lease the property to another person at a lower price or on different terms without giving the previous owner another opportunity to match that price or those terms. The previous owner shall have 15 days in which to match that price or terms. The institution, however, is not required to provide financing to the previous owner in connection with the sale of acquired real estate.

If an institution elects to sell or lease acquired property through a public auction, competitive bidding process, or other similar public offering, the institution must notify the previous owner by certified mail of the availability of the property. The notice must contain the minimum amount, if any, required to qualify a bid as acceptable to the institution and any terms or conditions to which the lease or sale will be subject. If two or more of the highest bids received are in the same amount and one is offered by the previous owner, the institution must accept the offer by the previous owner.

Secondary Market for Agricultural Real Estate Loans

The act establishes the Federal Agricultural Mortgage Corporation (FAMC) as a Federally chartered instrumentality of the United States and an institution of the Farm Credit System. Its purpose is to facilitate the development of a secondary market for agricultural real estate loans by providing guarantees on securities that represent either interests in pools of such loans or are collateralized by pools of such loans. The FAMC is commonly referred to as Farmer Mac. It is to be owned jointly by Farm Credit System institutions and non-Farm Credit System institutions.

The secondary market is intended to provide lenders with greater liquidity and lending capacity in extending real estate mortgage credit to farmers and ranchers. It is further intended to increase the availability of long-term agricultural credit and provide farm borrowers with funds at more stable rates, including funds at fixed rates, and to enhance the ability of people in small rural communities to obtain financing for moderately priced homes.

Qualified agricultural real estate mortgages will be sold on a non-recourse basis by loan originators to certified agrieultural marketing facilities called poolers. The poolers will package the loans, in accordance with statutory requirements and standards established by the FAMC, into pools that serve as collateral for securities sold to the investing public.

The loan originators, which are defined by law to include any Farm Credit System institution or other specified entity that originates and services agricultural mortgages, are permitted to retain servicing rights to loans sold to poolers. The poolers, which may be system institutions or corporations, associations, or trusts organized under Federal or state law, must meet statutory criteria and standards set by the FAMC.

The FAMC guarantees the timely payment of principal and interest on securities issued by the poolers. It sets the underwriting, security appraisal, and repayment standards in consultation with originators and determines the eligibility of poolers to be certified. Each pooler must be certified according to standards established by the FAMC and make application to the FAMC for this guarantee.

To qualify for the FAMC's repayment guarantee, the certified facility and participating loan originators are responsible for maintaining a reserve, or retained subordinated participating interest, equal to 10 percent of the unpaid principal of each loan in the pool. This reserve must be exhausted before the FAMC guarantee is activated.

The FAMC is to create a special reserve to fund its guarantee by charging a guarantee fee. When a guarantee is issued, the pooler will be assessed a fee of no more than one-half of one percent of the principal amount of the loans in the pool. Beginning the second year after the date of the original guarantee, the FAMC may assess the pooler an annual fee that also cannot be more than one-half of one percent of the loan principal in the pools. The amount of the annual fee will be based on the amount of risk in the pool. The U.S. General Accounting Office (GAO) is to annually review the FAMC's fees and report to

Congress on their actuarial soundness. This reserve is backed by a $1.5 billion line of credit from the U.S. Treasury.

A qualified agricultural loan is one that meets statutory and FAMC standards. Each guaranteed pool must have at least 50 qualified loans of varying principal amounts spread among various commodities and over a wide geographic area. The law specifies that the FAMC standards are not to discriminate against small originators or small agricultural mortgage loans that are of at least $50,000. It limits rural housing loans to single-family homes of less than $100,000 in communities with populations of 2,500 or less. And it specifies that no one loan can be in excess of 3.5 percent of the pool, that loans to two or more related borrowers cannot be in the same pool, and limits the maximum size of a pooled loan to $2.5 million or 1,000 acres, whichever is greater.

Other minimum standards established by the FAMC must:

- provide that no agricultural mortgage with a loan-to-value ratio in excess of 80 percent is treated as a qualified loan;
- require each borrower to demonstrate sufficient cash flow to service the loan;
- protect the integrity of the appraisal process;
- ensure the borrower is or will be actively engaged in agricultural production and require the borrower to certify to the loan originator that he or she intends to continue in agricultural production on the site involved;
- minimize speculation in agricultural real estate for non-agricultural purposes; and
- consider the purpose for which the real estate is taxed in establishing its value.

No certified facility can refuse to purchase qualified loans originating in states that have established borrower rights laws, but the facility may require discounts or charge fees reasonably related to costs and expenses arising from such laws. Specific borrower rights provisions applying to Farm Credit System institutions do not apply to loans sold in the secondary market. The law provides that system borrowers be given the terms and conditions of loans both ways—pooled for sale in the secondary market and not pooled. The borrower then has the right to decide whether the loan will be pooled. Even after a loan commitment has been made, the borrower has three days in which to refuse to have the loan pooled. If it is sold in the secondary market, the borrower rights provisions no longer apply.

Though the FAMC is chartered as a Farm Credit System institution, it is not liable for any debt or obligations of any other system institution and no system institution is liable for debts of the FAMC.

The FAMC will be jointly owned by system institutions and other financial or lending entities. The act provides for an initial $20 million of voting common stock to be offered to commercial banks, insurance companies, system institutions, and other financial entities. Additional voting stock may also be issued, but only to loan originators and poolers. Freely transferable non-voting common stock and preferred stock may also be issued.

Initially, the FAMC will have a nine-member interim board of directors, which will be appointed by the President. Appointments are to be made within 90 days of enactment. Three members will come from the Farm Credit System and three from commercial banks and other financial institutions. Of the remaining three, two will be farmers or ranchers and one will represent the general public, and none will have had experience as a director or officer of any financial institution or entity. The chairman will be named by the President.

As soon as enough members are appointed to convene a meeting with a quorum present, the interim board will arrange for the initial offering of common stock and take whatever other actions are necessary to get the operations of the FAMC underway. The voting common stock will be of two classes, one for Farm Credit System institutions and one for banks and other financial institutions. It will be offered so that a disproportionate amount of either class is not held by any institution or group of institutions and so that it is fairly distributed between classes.

Once the $20 million of common stock in the FAMC is subscribed, the interim board is to arrange for the election of five permanent directors each by holders of the two classes of common stock and for the appointment of five members by the President, subject to confirmation by the U.S. Senate. When a quorum of eight of the 15 members of the permanent board are elected or appointed, the permanent board can begin to function.

Ten of the 15 members are to be elected annually, five by Farm Credit System holders of FAMC stock and five by other FAMC stockholders. The remaining five will be appointed by the President with the advice and consent of the Senate. These appointees are to represent the public, with at least two of them experienced in farming or ranching and no more than three from the same political party. The appointees cannot be present or former officers or directors of any financial institution.

Each share of common stock is entitled to one vote. The board may establish limitations on the maximum number of shares that can be outstanding at any time. In any event, no one institution outside the Farm Credit System may own more than 33 percent of the voting stock in its class.

Securities guaranteed by the FAMC are not Government securities as defined by the Securities and Exchange Act of 1934 or the Investment Company Act of 1940. For purposes of Section 3 (a) (2) of the Securities Act of 1933, they are not securities issued or guaranteed by a person controlled, supervised, or acting as an instrumentality of the United States. The securities must clearly indicate that they are not obligations of, and are not guaranteed as to principal or interest by the Farm Credit Administration, by the United States, or any instrumentality of the United States other than the FAMC and must be registered with the Securities and Exchange Commission. The law exempts the securities from the registration and qualification standards of any state unless the state enacts an override statute within eight years.

The securities are authorized investments for any person, trust, corporation, partnership, association, business trust or business entity created under Federal or state laws to the same extent as are obligations issued or guaranteed by the United States or any instrumentality or agency of the United States.

The Farm Credit Administration is required to examine the FAMC at least once a year. The FAMC is also to be audited by and subjected to an annual evaluation of the actuarial soundness of its guarantee fee by the General Accounting Office.

Within two years of enactment, the law requires the GAO to report to Congress on the effect of the secondary market on agricultural producers, the system and other lenders, and the capital markets. The report must address the feasibility of establishing a secondary market for similar securities not guaranteed by the FAMC, and the feasibility of expanding the secondary market to include securities backed by loans to farm related businesses and rural small businesses.

Note: The Agricultural Credit Act of 1987 was enacted January 6, 1988. Except as otherwise provided in the act, the FCA is to issue required regulations no later than 180 days after enactment.

The Farm Credit Administration is an independent agency in the Executive Branch of the United States government with regulatory, examination and supervisory responsibilities for the Farm Credit System banks, associations, and related system institutions chartered under the Farm Credit Act of 1971. The Farm Credit Administration is directed by a three-member, Presidentially appointed board. The board is responsible for Farm Credit Administration policy, regulation promulgation, enforcement activities, and general oversight of agency operations. The board's specific responsibilities include:

- issuing the rules and regulations to implement the Farm Credit Act of 1971, as amended;
- providing for the examination of the condition of and general regulation of the performance of the powers, functions, and duties vested in each institution of the Farm Credit System;
- providing for the performance of the powers and duties vested in the Farm Credit Administration; and
- requiring such reports as it deems necessary from the institutions of the Farm Credit System.

The enforcement authorities of the FCA include the power to issue cease and desist orders, levy civil money penalties, and remove officers and directors of system institutions. The FCA also protects the rights of loan applicants and borrowers, requires the full financial disclosure by system institutions to stockholders and investors, and mandates the annual audit of each system institution. The agency exercises its enforcement powers to promote safety and soundness and to protect the public interest.

In carrying out its responsibilities, the board took a number of actions during 1987, the more significant of which follow.

Regulatory Accounting Practices

The Farm Credit Act Amendments of 1986 authorized Farm Credit System institutions to defer, during the period July 1, 1986—December 31, 1988, certain specified expenses for regulatory purposes. The agency concluded its rulemaking process covering Regulatory Accounting Practices (RAP) on December 21, 1987.

The process began on December 24, 1986, when the FCA published a Final Rule, with request for comment, relating to use of RAP and reversal of accrued financial assistance and subsequently amended the RAP regulations on January 26, 1987. A public hearing on the regulations was also held at the FCA offices in McLean, Virginia, on February 27, 1987. As a result of these hearings, the FCA board adopted an amendment to the RAP regulations relating to use of RAP by Federal Land Bank Associations at its special meeting held April 17, 1987.

The FCA board, at its special meeting held September 22, 1987, further amended the RAP regulations to prohibit a system institution from retiring stock or participation certificates in accordance with RAP when the net worth of such institution reaches zero in accordance with Generally Accepted Accounting Principles (GAAP), or, in the case of a system bank, when that bank is unable to meet the collateral requirements to support issuance of consolidated or systemwide securities in the national money markets. The FCA, on November 10, 1987, adopted the final RAP regulations, with amendments, after consideration of public comments received. The final rule became effective on December 21, 1987.

Director Compensation

A final regulation relating to compensation paid to Farm Credit System district board members was approved by the FCA board at its September 1, 1987, regular meeting. The regulation implemented provisions of the Farm Credit Amendments Act of 1985. The regulation clarified that although a district director may not be compensated as a district director for activities on behalf of the Federal Land Bank Association, the Production Credit Association or a cooperative in which the director holds membership, the district director can be compensated by the association or cooperative for such activities.

Shareholder Disclosure Regulations

The FCA board held a hearing on April 7, 1987, on provisions of shareholder disclosure regulations relating to disclosure of problem loans to senior officers, directors, their immediate family members, and affiliated organizations. The regulations were modeled after securities disclosure requirements applicable to other federally regulated financial institutions that are public companies.

The regulations require annual reports to be sent to shareholders that disclose, among other things, certain loans to officers and directors. The regulations specify persons whose loans must be disclosed, define immediate family members affected by the disclosure requirements, specify criteria under which disclosure must be made, and list specific disclosures required for loans to officers, directors and their immediate families. These regulations were later amended to be in compliance with the Agricultural Credit Act of 1987.

Production Credit Association Direct Loans

The FCA board approved exceptions to regulations governing the agency's approval of Federal Intermediate Credit Bank direct loans to Production Credit Associations where the loan margin exceeds the regulatory limit. The action, which waives FCA approval and related reporting requirements for all requests to exceed the direct loan limitation, was taken at the board's April 17, 1987 special meeting.

The decision to waive prior FCA approval requirements of the PCA direct loan regulation was based on staff analysis that found the regulation was not consistent with the agency's role as an arm's-length regulator. The regulations were also obsolete because they were based on the FCA's old loan classification system. The FCA will continue to monitor the FICB direct loan positions to PCAs as an early warning indicator by requiring FICBs to report any direct loans that exceed the existing formula to the FCA's Office of Examination.

System Institution Salary Ranges and CEO Compensation

At the July 1, 1987 regular meeting, the FCA board approved a policy statememt on Farm Credit System institution salary ranges and compensation for chief executive officers. In adopting the policy statememt, the board determined that the agency would not approve any request for changes in employee salary ranges or chief executive officer compensation if it would increase the institution's overall operating costs. The policy statement follows.

"Section 5.17(15) of the Farm Credit Act of 1971, as amended, provides that except for associations, the Farm Credit Administration shall approve the salary scale for employees of the institutions of the System, and approve the compensation of the chief executive officer of such institutions: Provided, that no salary scale or rate of compensation shall be approved under this provision unless determined to be fair and reasonable.

"The FCA Board believes it appropriate to provide policy guidance to the Farm Credit System institutions on the subject of salary and compensation approvals.

"In light of the current financial condition of the system, careful consideration must be given to interpreting the fair and reasonable standard in Section 5.17(15) of the Act. Therefore, the FCA is disinclined to act favorably on any request for changes to salary ranges or chief executive officer compensation which would have the effect of increasing the overall operating costs of the requesting institution."

Federal Land Bank Association Examinations

The FCA board, at its August 18, 1987 regular meeting, adopted a policy directive regarding the examination of Federal Land Bank Associations and service centers, which recognized that FLBAs and FLBA service centers closely resemble commercial bank branch offices and rarely retain risk assets on their books. However, the Farm Credit Amendments Act of 1985 requires FCA to examine each system institution at least once a year and defines the minimum scope of an examination. In order to meet the statutory requirements while efficiently using agency human and financial resources, the board made the following determinations.

- FLBAs will be evaluated, according to statutory requirement, in conjunction with FLB examinations, because of the need to evaluate operations of the district FLB and FLBAs as closely related entities.

- In connection with the FLBA examination, a representative number of FLBA service centers will be examined on a test basis to determine whether FLB lending standards are consistently applied.

- Limited scope FLBA examination reports will be issued in the form of a letter addressed to the association's board chairman.

The 1987 act modifies the FCA's annual examination responsibilities for FLBAs by requiring such examinations once every three years in recognition of the limited credit risk inherent in their financial structure.

Borrower Rights

The FCA board approved final amendments to borrower rights regulations at its special meeting of November 18, 1987. The amendments require each Farm Credit System institution to establish one or more credit review committees to review adverse credit decisions made by the institution. Also, the regulations require at least one member of the institution's board of directors to be a member of the credit review committee.

The regulations continue to allow a system institution board member to delegate duties as a member of the credit review committee to an alternate. However, the alternate also must be a member of the institution's board of directors.

Non-Discrimination Regulations

The FCA board at its special meeting of September 22, 1987, adopted final regulations regarding enforcement of non-discrimination on the basis of handicap in FCA programs and policies. These regulations were initially adopted on March 3, 1987, and published in the Federal Register for public comment. The regulations provide for the enforcement of Section 504 of the Rehabilitation Act of 1973, as amended, which prohibits discrimination on the basis of handicap.

Examination Activities

The Farm Credit Act Amendments of 1985, enacted December 23, 1985, expanded the Farm Credit Administration's regulatory and examination functions to include the direct examination of all Farm Credit System institutions beginning December 31, 1986. Prior to that time, the FCA relied heavily on testing examinations of Federal Land Bank Associations and Production Credit Associations conducted by the Federal Land Banks and Federal Intermediate Credit Banks, respectively. Therefore, 1987 was the first time the FCA was responsible for conducting entirely independent examinations of system institutions. In addition, to examining Farm Credit System institutions, the FCA examines the National Cooperative Bank, which makes loans to non-farm related cooperatives across the United States.

To effectively and efficiently conduct the examination of all Farm Credit System institutions, FCA offices are located in Albany, New York; Atlanta, Georgia; Louisville, Kentucky; Omaha, Nebraska; Dallas, Texas; Oklahoma City, Oklahoma; Sacramento, California; St. Louis, Missouri; Bloomington, Minnesota; Spokane, Washington; and McLean, Virginia.

During 1987, the Office of Examination expanded its examination staff to 355. As evidenced by the employment of 31 examiners recruited from among 33 colleges and universities, the office has taken a more active role in targeting those sources of recruitment. In addition, of the total of 107 newly hired employees within the office, more than 40 percent were women and minorities. Due to its extensive college recruitment program and the resulting high number of recent hires, the FCA maintained a lower cost per examiner in its direct examination program than most other Federal financial institution regulatory agencies.

Office of Examination

Staffing Levels by Location—December 31, 1987

Albany	12	Oklahoma City	21
Atlanta	49	Spokane	27
Louisville	31	Sacramento	26
St. Louis	52	Dallas	22
Bloomington	42	McLean	50
Omaha	23	Vacancies	27

The Office of Examination issued new guidelines during 1987 to foster equal opportunity throughout the office and initiated a program encouraging all FCA examiners to become commissioned so that the agency can develop, maintain, and assign a staff of recognized, competent examiners. Examiner commissions are granted based on successful completion of on-the-job training, formal training, and a four-part written and oral examination. Comprehensive training courses are in place or being developed for examiners to acquire the knowledge, skills, and abilities necessary to attain commissioned status. The testing program is scheduled to begin in June 1989.

During 1987, revision continued to the *Farm Credit Administration Examination Manual*, and plans were initiated to develop an *Examiner's Reference Guide* to complement the manual and provide agency policy on examination issues.

In accordance with the Farm Credit Amendments Act of 1985, the Office of Examination completed or initiated examinations of all system institutions during the period September 30, 1986 through December 31, 1987. These examinations were aimed at assessing the institutions' financial condition, compliance with laws and regulations, quality of management, and overall soundness. Upon completion of the examination, an FCA rating is assigned each institution according to a modified version of the Uniform Financial Institutions Rating System, known as the FCA Rating System, which rates institutions on a scale of 1 to 5 in descending order. Relevant factors in assigning ratings include the adequacy of the capital base, quality of loans and other assets, ability of management to properly administer all aspects of the business, quantity and quality of earnings, and sufficiency of liquidity. The primary objective is to ensure a uniform evaluation of the main characteristics of all system institutions.

As of December 31, 1987, 21 system institutions were assigned a rating of "1," 114 were assigned a rating of "2," 82 were assigned a rating of "3," 94 were assigned a rating of "4," and 113 were assigned a rating of "5." Ten Production Credit Associations in liquidation were included among the institutions rated "5."

Supervision and Enforcement

The agency's Supervision Division within the Office of Analysis and Supervision is the focal point for all system institutions requiring more than normal supervisory attention. It has the following two basic objectives.

1. To promote consistent and effective specialized supervision of system institutions that demonstrate instability or whose operating condition poses a potential or real threat to the institutions or the system.

2. To cause problem institutions to be rehabilitated through prompt responses to identified or potential problems.

Both of these objectives are designed to ensure that system institutions operate within statutory and regulatory requirements, as well as safe and sound banking practices.

During 1987, the Supervision Division executed 24 enforcement documents with system banks and associations. Nine were agreements and 15 were cease and desist orders. These enforcement documents covered $27 billion of the system's total assets.

Following are three examples of enforcement actions taken during the year.

The first involves a district-wide Production Credit Association. An examination disclosed significant declines in the quality of its loan portfolio when compared to prior years. The PCA's allowance for loan losses and the amount of loan charge-offs required to reflect accurately the value of its loan portfolio had been understated. Credit administration was found to be unsatisfactory because PCA management had not developed formal association-wide credit policies and procedures and had not established a comprehensive internal credit review program. The financial condition of the PCA was weak, and management had initiated material cost-cutting measures by streamlining operations to curtail further losses. The examiners also concluded that management had the ability to remedy the PCA's credit quality and credit administration in the ensuing years.

A formal agreement was executed between the agency and the PCA's board of directors that required the PCA to (1) implement a program designed to improve the quality of adversely classified assets, (2) correct credit administration deficiencies, (3) develop and implement a formal and comprehensive loan review program, (4) develop and implement formal loan policies and procedures, and (5) increase the PCA's allowance for losses and record charge-offs to properly reflect the value of the loan portfolio.

The second enforcement example involves a Federal Land Bank. An examination disclosed that the bank was in financial jeopardy. Capital stock was impaired at the examination date, and the projection of additional losses through the year and into 1988 and 1989 served only to point out further probable impairment. Because the bank's capital stock was impaired under Generally Accepted Accounting Principles, the bank was using the Regulatory Accounting Practices authorized by the Farm Credit Act Amendments of 1986 to continue to retire stock at par value. Fifty-three percent of the bank's total assets were adversely classified. Significant amounts of non-earning assets—non-accrual loans and acquired properties—severely limited its ability to generate earnings sufficient to improve its capital base, allow for risk in its loan portfolio, and pay operating expenses. Much of the deterioration in the quality of the loan portfolio could be specifically traced to the bank's ineffective supervision of the Federal Land Bank Associations. The FLBAs had not been following prescribed loan policies and procedures in making and servicing loans, and the bank's supervision had not caused correction of these deficiencies.

A cease and desist order was issued that required the bank to (1) immediately develop and implement a short-term business plan that would forestall further capital deterioration, improve its collateral position, and cut operating losses, (2) develop a three-year business plan designed to restore financial viability, (3) substantially redesign its program of supervision of FLBAs, and (4) implement a program designed to improve the quality of adversely classified assets.

The third example involves a Federal Intermediate Credit Bank. An examination disclosed that its entire loan portfolio was adversely classified. This was caused by the funding relationship the bank maintained with its district-wide Production Credit Association, whose own loan portfolio was critically weak. The bank had not effectively supervised the debtor-creditor relationship despite having observed deficient credit administration practices and weaknesses in overall operations. In addition, the bank had not followed its own established policies when approving loans that exceeded the PCA's delegated authorities. The bank had not realistically developed financial plans to improve long-term viability. Projections were optimistic as to time frames and levels of earnings that could be reached. The bank had also overstated its loan assets by not accurately accounting for loan and acquired property charge-offs and allowances for losses.

A cease and desist order was issued that required the bank to (1) improve its supervision of the PCA, (2) develop a realistic three-year business plan designed to improve financial viability, (3) follow established policies and procedures for the approval of loans submitted by the PCA, and (4) correct deficiencies in identifying and accounting for potential and realized losses in the loan portfolio.

Uniform Call Reports Issued

Starting with data for the quarter ending March 31, 1988, the Farm Credit Administration will implement a new Uniform Report of Condition and Performance (Uniform Call Report). The report will be required for all system institutions and replaces the separate Reports of Condition and Performance previously required by type of institution. In order to provide time for system institutions to implement the reporting procedure for the first quarter of 1988, the agency provided them with draft reports and instructions in mid-December 1987 and invited comments on the drafts.

Major benefits of the Uniform Call Report are that it will reduce the burden of reporting on all system institutions and improve the FCA's utility of the information reported. The number of data elements to be reported has been reduced from about 1,800 to about 800. Schedules in the new report have been streamlined and made easier to complete. Detail accounts have been reduced, duplication of call reports and loan account data received by the FCA and other report requirements have been eliminated, and information on securities issued by the Farm Credit Banks will now be obtained directly from the Federal Farm Credit Banks Funding Corporation. The only significant additional data requirements in the new Uniform Call Report will be asset repricing options (banks only), commitments and contingencies, and average daily balances of major accounts.

Where applicable, the new report adopts the numbering system and content of the uniform reporting schedules of the Federal Financial Institutions Examination Council as developed for depository institutions. The FCA is also reviewing other alternatives to filing hard copy reports. Initially, the agency is offering all system institutions the option of reporting via magnetic diskette as a means of processing report data faster and more efficiently.

At the time the draft reports were provided to system institutions, the FCA could not anticipate all the effects of the Agricultural Credit Act of 1987 on the Uniform Call Report. At a minimum, future calls will have to accommodate the reporting of financial assistance, insurance funds, secondary market transactions, loan restructuring, and any other mandated items. Accordingly, these items will be incorporated in updates to the report.

The new Uniform Call Report is a reflection of the agency's continuing emphasis on improving its ability to monitor accurately and with reliability the financial condition and results of operations of all system institutions. The new reports provide improved uniformity in measuring the financial performance of each institution against statutory, regulatory, and agency established standards. These standards have been more fully incorporated into the new report to assist system institutions in preparation of the report and improve their understanding of the FCA's requirements for accuracy and reliability.

Pending Litigation

Following are some of the pending lawsuits as of December 31, 1987 involving the Farm Credit Administration. Cases are alphabetically arranged in groups according to issue, and each listing includes the case number and court where the suit was filed.

The following 21 lawsuits all seek to prevent the transfer of funds from financially stronger Farm Credit System institutions to those requiring financial assistance by challenging one or more of the following issues: the Farm Credit System Capital Corporation statute, FCA's Capital Corp. assessment regulations, FCA's Capital Directive No. 1, or the inter-System transfer of funds regulation 12 CFR 611.1130.

The Agricultural Credit Act of 1987 repeals the governing statutory provisions under which the Farm Credit System Capital Corporation assessment regulations were promulgated and requires the dissolution of the capital corporation within 15 days of enactment. (Public Law 100-233, 101 Stat. 1568.)

Albuquerque Production Credit Association v. FCA, et. al.
No. 86-1189JB.
U.S. District Court for New Mexico. This suit has been consolidated with *PCA of Eastern New Mexico v. FCA, et. al.*

Amarillo Production Credit Association v. FCA.
No. CA-5-86-098-
U.S. District Court for the Northern District of Texas, Lubbock Division. Portions of this suit challenging the FCS Capital Corp. statute have been consolidated with the *Bryan PCA v. FCA* and *Caprock-Plains FLBA, et al. v. FCA* cases. In addition to the issues listed above, the plaintiffs seek approval of the Amarillo PCA's liquidation and reorganization as an independent agricultural credit corporation.

Aroostook County Federal Land Bank Association, et al. v. FCA, et al.
No. CA-87-0065-F.
U.S. District Court for Massachusetts. In addition to the issues listed above, the plaintiffs request a refund of assessments paid.

Bryan Production Credit Association v. FCA.
No. CA-5-86-106.
U.S. District Court for the Northern District of Texas, Lubbock Division. Portions of this suit challenging the FCS Capital Corp. statute were consolidated with the *Amarillo PCA v. FCA* and *Caprock-Plains FLBA et al. v. FCA* cases.

Caprock-Plains Federal Land Bank Association v. FCA.
No. CA-5-85-267.
U.S. District Court for the Northern District of Texas, Lubbock Division. This case has been appealed to the 5th Circuit Court of Appeals, Appeal No. 87-1326.

Caprock-Plains Federal Land Bank Association, et al. v. FCA.
No. CA-5-86-202.
U.S. District Court for the Northern District of Texas, Lubbock Division. Portions of this suit challenging the FCS Capital Corp. statute and FCA's Capital Corp. assessment regulations were consolidated with the *Amarillo PCA v. FCA* and *Bryan PCA v. FCA* cases.

Central Kentucky Production Credit Association, et al. v. U.S., et al.
No. 86-2056.
U.S. District Court for the District of Columbia. Denial of a preliminary injunction in this suit has been appealed to the District of Columbia Circuit Court of Appeals, Appeal No. 86-5623.

Central Production Credit Association v. FCA.
No. 86-1995-C-5.
U.S. District Court for the Eastern District of Missouri.

Colorado Springs Production Credit Association, et al. v. FCA and FCS Capital Corporation.
No. 86-K-1948.
U.S. District Court for Colorado. The case has been appealed to the Tenth Circuit Court of Appeals, Appeal No. 87-2482.

Federal Land Bank Association of Kingsburg v. FCA.
No. CV-F-529-REC.
U.S. District Court for the Eastern District of California, Fresno Division.

Federal Land Bank of Baltimore, et al. v. FCA, et al.
No. H-86-3137.
U.S. District Court for Maryland.

Federal Land Bank of Columbia v. FCA, et al.
No. 3:87-175-16.
U.S. District Court for South Carolina, Columbia Division. In addition to the issues listed above, the plaintiffs seek a refund of assessments paid.

Federal Land Bank of Sacramento, et al. v. FCA, et al.
87-02431.
U.S. District Court for the Central District of California. In addition to the issues listed above, the plaintiffs request a refund of assessments paid.

Federal Land Bank of Springfield, et al. v. FCA, et al.
No. 86-0214-F.
U.S. District Court for Massachusetts. The case has been appealed to the First Circuit Court of Appeals, Appeal Nos. 87-1272 and 87-1315.

Garden City Production Credit Association v. FCA and FCS Capital Corporation.
No. 86-1759C.
U.S. District Court for Kansas.

Great Plains Production Credit Association v. FCA and FCS Capital Corporation.
No. 86-2119A.
U.S. District Court for the Western District of Oklahoma.

Northern Ohio Production Credit Association v. Wilkinson.
No. C85-7858.
U.S. District Court for the Northern District of Ohio, Western Division. This case has been appealed to the 6th Circuit Court of Appeals, Appeal No. 87-3390.

Northwest Louisiana Production Credit Association v. FCA.
No. 86-3164.
U.S. District Court for the Western District of Louisiana.

Production Credit Association of Eastern New Mexico v. FCA, FCS Capital Corporation, et al. No. 86-1137-HB.
U.S. District Court for New Mexico. The suit has been consolidated with the *Albuquerque PCA v. FCA, et al.* case.

Production Credit Association of the Fourth District v. FCA.
No. C-87-0186-L-M.
U.S. District Court for the Western District of Kentucky. In addition to the issues listed above, the plaintiffs request a refund of assessments paid.

Sikeston Production Credit Association, et al. v. FCA and FCS Capital Corporation.
No. 86-0147C.
U.S. District Court for the Eastern District of Missouri. The suit has been appealed to the Eighth Circuit Court of Appeals, Appeal Nos. 86-2418 EM and 86-2357 EM.

The following two lawsuits challenge alleged impairment of other financing institutions' equities as a result of Capital Preservation Agreements and/or assessments by the Farm Credit System Capital Corporation.

American Farm Credit Corporation, et al. v. Federal Intermediate Credit Bank of Wichita, et al.
No. 86-1752C.
U.S. District Court for Kansas.

National Finance Credit Corporation of Texas v. Federal Intermediate Credit Bank of Texas and FCA.
No. CA4-86-704-E.
U.S. District Court for the Northern District of Texas, Fort Worth Division.

The following four lawsuits challenge the regulatory accounting practices regulations and/or 12 CFR 614.4341, which prohibits reversal of contributions made by Farm Credit System institutions under Capital Preservation Agreements. The Agricultural Credit Act of 1987 requires the chartering of the Farm Credit System Assistance Corporation within five days of enactment and provides that on that date the assistance corporation will take over and become responsible for the accruals under the Capital Preservation Agreements that are at issue in the litigation.

Federal Land Bank of Baltimore v. FCA.
No. H-87-688.
U.S. District Court for Maryland.

Federal Land Bank of Columbia v. FCA.
No. 3:87-250-16.
U.S. District Court for South Carolina, Columbia Division.

Federal Land Bank of Spokane v. FCA.
No. C87-053-RJM.
U.S. District Court for the Eastern District of Washington.

Federal Land Bank of Texas, et al. v. FCA.
No. 87-CA-194.
U.S. District Court for the Western District of Texas, Austin Division.

The following consolidated suit challenges reversal of Capital Preservation Agreement accruals for third quarter 1986.

Federal Land Bank of St. Paul, et al. v. Federal Land Bank of Texas, et al.
No. 87-0085.
U.S. District Court for the District of Columbia. The suit has been consolidated with *FLB of Jackson, et al. v. FLB of Columbia, et al.*, No. 87-0601, and *FLB of St. Paul v. FLB of Baltimore*, No. 87-0998. FCA is not a party to the FLB of Baltimore lawsuit.

Kochenderfer Farms, Inc. v. FCA, et al.
No. C86-4810A.
U.S. District Court for the Northern District of Ohio, Eastern Division. The suit challenges FCA's alleged failure to issue borrower rights regulations.

At-Large Director Elections Held

The Farm Credit Administration conducted at-large director elections in eight Farm Credit Districts during 1987. This completed the process of replacing appointed directors-at-large by directors-at-large elected by stockholders of the Federal Land Bank Associations, Production Credit Associations, and Banks for Cooperatives, fully implementing the local control provisions of the Farm Credit Amendments Act of 1985.

Farm Credit Administration Budget

The Farm Credit Administration operates on a fiscal year basis, from October 1 to September 30. The law requires that the FCA shall prior to the first day of each fiscal year estimate the cost of administrative expenses for the ensuing year in administering the Farm Credit Act of 1971, as amended. It shall then apportion the amount so determined among the institutions of the system on such equitable basis as it shall determine and collect from time to time the amounts so apportioned from the institutions among which the apportionment is made.

The amounts collected are deposited in the Farm Credit Administration Administrative Expense Account. The expense account is maintained in the Treasury of the United States and is available, without regard to the Balanced Budget Act and Emergency Deficit Control Act of 1985 (2 U.S.C. 901 note) or any other law, to pay the expenses of the Farm Credit Administration.

The funds contained in the expense account shall not be construed to be Federal Government funds or appropriated moneys.

Following are the actual expenditures for fiscal year 1987 and estimated expenditures for fiscal year 1988.

Object Classifications in Thousands of Dollars

Object Class	1987 Actual	1988 Estimated
Personnel compensation: Full-time permanent	$17,216	$20,444
Other than full-time permanent	466	533
Other personnel compensation	129	448
Special personnel services	174	465
Total personnel compensation	**17,985**	**21,890**
Personnel benefits	5,413	4,407
Benefits for former personnel	33	0
Travel and transportation	3,854	4,364
Transportation of things	445	163
Communications, utilities, rent	739	905
Printing and reproduction	259	344
Other services	1,489	1,592
Supplies and materials	419	615
Equipment	583	720
Total obligations	**$31,219**	**$35,000**

Regulations Promulgated

Following are the final regulations promulgated by the Farm Credit Administration during 1987. This listing contains the part of the regulation, a brief description of its content, the Federal Register Citation, and the date published.

Regulations List

Part	Subject	Federal Register Citation	Date Published
602, 620 621	Correction to preamble	52 F.R. 1440	1/20/87
624	Request for comments; technical amendments—Temporary Regulations; Regulatory Accounting Practices	52 F.R. 2670	1/26/87
614	Amendments to existing regulations—Borrower Rights	52 F.R. 12143	4/15/87
611	Amendments to existing regulations—Capital Corporation; Organization	52 F.R. 12135	4/15/87
624	Amendments to temporary regulations—Regulatory Accounting Practices; Temporary Regulations	52 F.R. 13428	4/23/87
605	Amendments to existing regulations—Information Security	52 F.R. 18200	5/14/87
611	Amendments to existing regulations—Organization; Director Compensation	52 F.R. 36012	9/25/87
624	Request for comments—Farm Credit System Regulatory Accounting Practices; Temporary Regulations	52 F.R. 37131	10/5/87
614, 624	Farm Credit System Regulatory Accounting Practices—Temporary Regulations; Loan Policies and Operations—Loss Sharing Agreements	52 F.R. 43733	11/16/87
614, 624	Correction—Farm Credit System Regulatory Accounting Practices—Temporary Regulations; Loan Policies and Operations—Loss-Sharing Agreements	52 F.R. 44969	11/24/87
614	Loan Policies and Operations; Borrower Rights	52 F.R. 45161	11/25/87
611	Correction—Organization; Director Compensation	52 F.R. 48093	12/18/87

Conditions in the Farm Sector

Financial conditions in the farm sector improved greatly during 1987. This substantially eased the deterioration in the financial performance of Farm Credit System institutions. Just as the condition of agricultural lenders lagged that of the sector as its earnings fell early in the decade, the improvement in the financial condition of lenders can be expected to follow that of the sector.

Several positive consequences of the Food Security Act of 1985 began to appear during the latter half of 1987, and these had a major effect on the sector. Lower market prices and the Export Enhancement Program aided in a rebound of farm exports. The low grain prices also meant a continuation of profitable livestock feeding. Meanwhile, a record level of Government program payments protected the incomes of many crop producers and helped spark an upturn in farm real estate values. In addition, there were other favorable developments for farm exports, including a falling dollar, weather related crop shortfalls in some countries, and improving economic conditions in certain importing nations. U.S. agricultural export volume during fiscal 1987 rebounded to 129 million metric tons, ending six consecutive years of decline.

Livestock producers generally had profitable feeding margins during 1987. But the high margins of hog and poultry producers narrowed sharply during the second half of the year when increased pork output combined with record poultry production to push total per capita meat supplies to record levels. Broiler and turkey production was up sharply throughout the year in response to the record profit margins of producers in 1986. With beef and veal output down about 4 percent, per capita poultry consumption nudged ahead of beef and veal on a retail weight basis by the end of 1987.

The combination of profitable livestock feeding, another decline in farm production expenses, and high levels of farm program participation with record amounts of Government payments pushed both the sector's net cash and net farm income measurements to new heights of $58 billion and $45 billion, respectively. Total Government payments were some $17 billion, half cash and half Payment-in-Kind commodity certificates. Farmers' overall return to equity averaged 4.4 percent according to the U.S. Department of Agriculture (USDA). This was the first time that farmers' return on equity and real capital gains in the sector became positive since 1980. With a modest gain in farm real estate values and further debt liquidation, USDA's preliminary estimates show that farm sector equity, excluding farm households, rose $32 billion to near $570 billion.

Commercial loan demand by farmers decreased again in 1987, and farm debt, excluding loans by the Commodity Credit Corporation, declined about $15 billion. Between regular crop programs and the long-term Conservation Reserve Program, U.S. farmers idled nearly 70 million acres. Participation rates were at or near all-time highs for each of the program crops, with more than $8 billion in direct payments being received by program participants in the first and second quarters. Thus, the demand for crop production loans was lowered both by an increase in idled acres and by record large amounts of Government payments that helped finance the planting of 1987 crops. Meanwhile, though livestock feeding margins favored expansion, producers and lenders apparently were cautious to finance such expansions.

The Farm Credit System reported a net loss of $17 million for 1987, compared to a loss of $1.9 billion in 1986. The decrease was chiefly the result of a substantial reversal in its allowance for loan losses, without which it would have posted a loss of $485 million.

On December 31, 1987, the system had net loans outstanding of $49.5 billion, compared to $54.6 billion a year earlier. The net reflects allowance for loan losses of $3.0 billion and $3.6 billion, respectively. Of its total loan portfolio at the end of 1987, $5.2 billion was classified non-accrual and $4.3 billion was classified high risk. A year earlier, the system was carrying $7.1 billion in non-accrual and $5.7 billion in high risk loans. In addition, the system held $876 million in acquired property on December 31, 1987, compared to $1.1 billion in such property a year earlier. Its total assets declined from $70.1 billion on December 31, 1986 to $62.2 billion on December 31, 1987.

The Farm Credit System had $8.0 billion in total risk funds on December 31, 1987, compared to $9.3 billion at the end of 1986. Its capital stock and participation certificates declined from $4.2 billion and the end of 1986 to $3.7 billion at the end of 1987, while surplus declined from $1.5 billion to $1.4 billion.

Federal Land Banks

The 12 Federal Land Banks had net loans outstanding of $33.3 billion on December 31, 1987, a decline of 13.2 percent from the $38.3 billion in net loans outstanding a year earlier. Non-accrual loans decreased 25.4 percent, from $5.9 billion at the end of 1986 to $4.4 billion at the end of 1987. High risk loans also declined, from $4.5 billion at the end of 1986 to $3.0 billion at the end of 1987, while net acquired property decreased from $902 million to $739 million. The banks formally restructured $811.5 million of loans in 1987, compared to $67.7 million in 1986. In 1987, the banks charged off $404.5 million in loans, compared to $937 million in loan charge-offs in 1986. The banks' allowance for loan losses decreased from $2.6 billion at the end of 1986 to $2.1 billion at the end of 1987.

Overall capital stock and participation certificates of the Federal Land Banks declined from $2.2 billlion on December 31, 1986 to $1.3 billion on December 31, 1987. The decline reflected the capital stock impairment of $702 million. Though the combined surplus of the system as a whole, as reported earlier, was $1.3 billion, the Federal Land Banks had a deficit of $285 million on December 31, 1987. The result was a decline in their total net worth from $2.0 billion on December 31, 1986 to $1.5 billion on December 31, 1987.

The combined gross income of the Federal Land Banks for the year ended December 31, 1987 was $3.8 billion, 21.2 percent less than their gross income of $4.9 billion the previous year. Interest income in 1987 was $3.8 billion, while the cost of borrowed funds was also $3.8 billion. In 1986, interest income was $4.8 billion and the cost of borrowed funds was $4.7 billion. Total expenses for 1987 were $4.2 billion, compared to $5.0 billion the previous year. The result was a net loss from operations of $325 million for the year ended December 31, 1987, compared to a net operating loss of $122.7 million the previous year.

After other additions and deductions, including an adjustment in provisions for losses, the Federal Land Banks had a net loss of $217.2 million in 1987. Their net loss in 1986 was $1.4 billion.

On December 31, 1987, seven Federal Land Banks—Louisville, Jackson, St. Paul, Omaha, Sacramento, and Spokane—reported deficits, which resulted in the book value of their capital stock being less than its par value. The Federal Land Bank of Jackson reported total negative capital on that date, which means its capital stock had no value at all.

Federal Land Bank Associations

The Federal Land Bank Associations had combined gross income of $235.6 million in 1987, compared to $227.6 million the previous year. Operating expenses for the associations in 1987 totaled $218.1 million, down from $279.8 million in 1986. The result was a net gain from operations of $17.6 million in 1987, compared to an operating loss of $52.2 million in 1986.

After other additions and deductions, including $254.0 million in other losses, the associations had a net loss of $231.7 million for the year ended December 31, 1987. At the end of the previous year, the net loss was $478.0 million.

Total capital stock and participation certificates declined nearly 44 percent during the year, from $2.2 billion on December 31, 1986 to $1.3 billion on December 31, 1987. These figures take into account impairments of $5.7 million and $690.6 million, respectively. Overall, the combined net worth of the Federal Land Bank Associations declined more than 30 percent during the year, from $2.1 billion at the end of 1986 to $1.4 billion at the end of 1987.

Federal Intermediate Credit Banks

The 12 Federal Intermediate Credit Banks had net loans outstanding of $9.1 billion on December 31, 1987, a decrease of 16 percent from the $10.9 billion in net loans outstanding a year earlier. Of total loans outstanding at the end of 1987, $4.2 billion were classified as high risk, $934.0 million had been formally restructured, and $145.6 million were non-accrual. A year earlier, $4.9 million in loans were high risk, $930.6 million had been restructured, and $172.3 million were non-accrual. The Federal Intermediate Credit Banks allowance for loan losses decreased from $81.3 million at the end of 1986 to $59.1 million at the end of 1987. Net acquired property held by the banks decreased from $35.2 million on December 31, 1986 to $25.4 million on December 31, 1987. In 1987, the banks charged off $8.3 million in loans, compared to $31.7 million charged off the previous year.

Capital stock and participation certificates of the Federal Intermediate Credit Banks were unchanged between December 31, 1987 and December 31, 1986, remaining constant at $1.3 billion. The earned net worth of the banks increased from $449.9 million to $517.8 million, and their total net worth rose slightly from $1.82 billion at the end of 1986 to $1.88 billion at the end of 1987.

The Federal Intermediate Credit Banks had combined gross income of $990.9 million for the year 1987, a decrease of 25.2 percent from the $1.3 billion in gross income the previous year. Their total interest income was $987.9 million in 1987, and their total cost of borrowed funds was $810.5 million. The previous year, interest income was $1.3 billion, and the cost of borrowed funds was $1.0 billion. Total expenses were $910.3 million in 1987, resulting in a net gain from operations of $80.6 million. The previous year, with total expenses of $1.1 billion, the banks had a net gain from operations of $182.7 million.

After other additions and deductions, including an adjustment in provisions for losses and a profit from the sale of acquired property, the banks had net income of $89.3 million. The previous year, their net income was $12.1 million.

Production Credit Associations

Net loans outstanding of the Production Credit Associations stood at $9.1 billion on December 31, 1987, a decline of nearly 15 percent from the $10.7 billion in loans outstanding a year earlier. Of total loans outstanding at the end of 1987, $765.6 million were classified non-accrual and $645.4 million were in the high risk category. A year earlier, the associations had $1.0 billion of loans in each category. During 1987, the associations formally restructured $367.2 million of loans. The previous year, $224 million were restructured. Their allowance for losses declined from $685.2 million at the end of 1986 to $579.7 million at year-end 1987. Net acquired property held by the Production Credit Associations decreased from $142.6 million at the end of 1986 to $110.2 million at the end of 1987.

Total capital stock and participation certificates of the Production Credit Associations totaled $969.0 million on December 31, 1987, down more than 15 percent from the $1.2 billion outstanding a year earlier. The 1987 total reflected stock impairment of $23.3 million. The total earned net worth of the PCAs increased 3.5 percent during the year, from $1.10 billion at the end of 1986 to $1.14 billion at the end of 1987. Total net worth decreased from $2.3 billion at the end of 1986 to $2.1 billion at year-end 1987.

The Production Credit Associations saw their combined gross income decline from $1.4 billion for the year ended December 31, 1986 to $997.4 million for the year ended December 31, 1987. Interest income also declined for the period, from $1.3 billion to $959 million, while interest expense declined from $1.1 billion to $781.4 million. Operating expenses decreased from $301 million in 1986 to $252.0 million in 1987, and total expenses dropped from $1.4 billion to $1.0 billion. The overall result was a net loss from operations of $36.0 million in 1987, compared to $6.0 million for 1986.

After other additions and deductions, including an adjustment for prior years' net income, distribution of earnings from the Federal Intermediate Credit Banks, a net profit on acquired property, and other gains, the PCAs had final net earnings of $101.0 million for the year ended December 31, 1987. A year earlier, they posted a net loss of $280.8 million.

Banks for Cooperatives

The 13 Banks for Cooperatives had net loans outstanding of $8.2 billion on December 31, 1987, an increase of 11.5 percent over the $7.4 billion outstanding a year earlier. Of gross loans outstanding at the end of 1987, $72.8 million were classified high risk, $67.3 million had been formally restructured, $14.7 million had been otherwise restructured or given reduced interest rates, and $10.8 million were in non-accrual status. A year earlier, the banks had $171.4 million in high risk loans, had formally restructured $71.0 million, had otherwise restructured or given reduced rates to $15.8 million, and had $48.0 million classified non-accrual. In 1987, the Banks for Cooperatives recovered $2.0 million of loans previously charged off. Their allowance for loan losses stood at $141.0 million at the end of 1987, compared to $145.5 million at the end of 1986.

Total capital stock and participation certificates of the banks were $736.8 million on December 31, 1987, a decline of about 4.5 percent from the $771.3 million of a year earlier. Their total net worth also declined slightly, from $1.07 billion at the end of 1986 to $1.04 billion at the end of 1987.

The Banks for Cooperatives had combined gross income for 1987 of $826.4 million, compared to gross income of $871.9 million for 1986. Their total interest income was $821.5 million in 1987, while their total cost of borrowed funds was $692.7 million. During the previous year, interest income totaled $864.9 million, and borrowed funds cost $725.1 million. Total expenses declined from $783.9 million in 1986 to $748.5 million in 1987. The net gain from operations was $88.0 million in 1986 and $77.9 million in 1987. After other additions and deductions, the Banks for Cooperatives had final net earnings of $79.8 million in 1987, compared to net earnings of $589 thousand in 1986. It should be noted, however, that their 1986 earnings would have been approximately $78 million if it had not been for funds provided to assist financially weak system institutions.

Funding the Farm Credit System

The 1987 funding of the Farm Credit System was characterized by a continued downsizing of the debt portfolio, higher interest rates, wider spreads from Treasuries, and a continued heavy concentration of discount notes in the system's total portfolio. The system's portfolio shrank by $7.2 billion or 11.5 percent during the year, falling to $55.3 billion, reflecting the continued contraction of the loan portfolios of the Federal Land Banks and Production Credit Associations. This large paydown comes on the heels of a combined 2-year $10.5 billion decline in total system debt in 1985 and 1986, meaning that in just the last three years the system's debt exposure has fallen by $17.7 billion, a one-fourth reduction.

Although the 1987 paydown is larger than each of the last two years, the bond portion of the paydown is actually smaller. In 1985 and 1986, the paydowns were tempered by a $9.1 billion increase in outstanding discount notes, as the system attempted to shorten the maturity of its portfolio. In 1987, new discount money slowed to a $700 million increase, but the share of notes in the total portfolio rose to 26 percent, compared with 7 percent just three years ago. Virtually all of the 1987 paydown occurred at the long end of the maturity spectrum, as the system canceled all four of the regularly scheduled quarterly term bond issues. The system issued new term bonds on only two occasions during the year, both with 12-month maturities. Maturing long-term obligations amounted to a little more than $11 billion, but only $1.2 billion in new term bonds were issued in their place. To help fill the funding gap, another $1.4 billion in debt was issued through reopenings of outstanding long-term issues, and the discount note and the short-term bond markets were also heavily relied upon on a short-term basis.

Interest rates on new short-term bonds averaged 35 basis points higher in 1987 than in 1986. Treasury rates in 1987 actually averaged slightly lower than last year, meaning that all of the difference was attributable to the system being faced with wider spreads from Treasury. The average rate paid in 1987 on the $21.4 billion in new system 3- and 6-month bonds was 6.9 percent compared with the 6.55 percent rate paid on $17.1 billion in 1986. The average spread on short-term bonds was 75 basis points (b.p.), ranging from as low as 25 b.p. in January to as high as 145 b.p. in October, considerably higher than the 1986 average of 28 b.p. The heightening of the system's financial problems, coupled with the flight of many non-Treasury investors to the safety of short-term Treasury bills following the stock market crash, contributed to the record high system spreads.

Higher interest rates had a moderate effect on the system's overall average debt costs, which rose from 9.26 percent in late December 1986 to the current average of 9.36 percent. Average bond costs actually declined from 10.16 to 10.02 percent, but significantly higher rates and wider spreads on new discount notes caused the average rate on outstanding notes to rise from 6.0 to 7.5 percent. The higher short-term rates had their greatest impact on the Federal Intermediate Credit Banks because of the short-term nature of the PCA lending function. The FICB average debt cost rose more than 60 b.p. to 8.1 percent. The Banks for Cooperatives experienced a 53-b.p. increase in costs because more than half of their funding requirements come from discount notes. Their average cost at the end of 1987 was 8.09 percent.

With most of their portfolio still tied up in higher priced long-term bonds the FLBs managed a modest 12-b.p. reduction in their average costs during the year. Their total average debt cost of 10.13 percent at the close of 1987 represented a considerably higher level than their marginal cost of funds. During 1988, the FLBs have $6.4 billion in long-term bonds maturing bearing a weighted average cost of 10.7 percent. Considering that their average cost of bonds is 10.5 percent, this means that a large portion of their high-priced debt will remain outstanding in their portfolio beyond 1988. Indeed, more than one-quarter of the current FLB bond portfolio bears a rate greater than the current average and does not mature until 1990 or later.

Farm Credit System Funding
Dollars in Millions

Item	FLB		FICB		BC		TOTAL	
	1987	1986	1987	1986	1987	1986	1987	1986
Bonds	$30,457	$36,314	$6,080	$8,161	$4,306	$4,250	$40,843	$48,734
Notes	5,180	5,558	3,665	4,009	5,587	4,177	14,432	13,744
Total Debt	**$35,637**	**$41,872**	**$9,745**	**$12,170**	**$9,893**	**$8,436**	**$55,275**	**$62,478**
Average:								
Bond Cost	10.49%	10.74%	8.42%	8.10%	8.94%	9.12%	10.02%	10.16%
Note Cost	7.41%	6.09%	7.51%	6.03%	7.50%	5.95%	7.48%	6.02%
Debt Cost	**10.13%**	**10.25%**	**8.10%**	**7.48%**	**8.09%**	**7.56%**	**9.36%**	**9.26%**

Young, Beginning, and Small Farmers

Each Federal Land Bank Association and Production Credit Association is required by law, under policies established by each Farm Credit District board, to prepare a program for furnishing sound and constructive credit and related services to young, beginning, and small farmers and ranchers.

Such programs during 1987 were largely unchanged from those previously reported, though activities increased somewhat in comparison to those of recent years because of an overall increase in lending reflective of an improved economic environment. The farm sector has been in a downsizing mode for several years, and farm borrowers have been paying down or retiring their loans. Economic incentives over the past several years have been more toward leaving rather than entering farming, particularly for those with limited experience and/or financial reserves.

The Federal Land Banks made about 60 percent more loans in 1987 than in 1986, but the number of loans made were still well below the levels of 1985 and 1984. The proportion of loans associated with borrowers under the age of 35 rebounded from near 16 percent in 1986 to the near 18 to 20 percent range reported for the previous two years. There was another increase in the proportion of loan closings associated with borrowers having a net worth of less than $100,000, reaching 36 percent in 1987, compared to 23 percent in 1986 and 15 to 17 percent in 1985 and 1984. Of those with a small net worth, 30 percent were young. This was down from 34 percent in 1986 and nearly 50 percent in the previous two years. The proportion of loans made to small operators in 1987 (those with agricultural sales of less than $40,000) was 47 percent, compared to 46 percent in 1986.

The data for Production Credit Associations also showed substantially more activity during 1987, although the percentages associated with young, beginning, and small farmers declined in comparison to recent years. In 1986, 10 percent of PCA borrowers reporting said they had less than five years of experience. This dropped to 5 percent in 1987. As in recent years, about 36 percent of the 1987 borrowers had a net worth of less than $100,000, but only one-fourth of these farmers were young, compared with more than one-third in 1986. While there were about 50 percent more young farmers served during 1987, they represented only 15 percent of all PCA loans, compared to 17 percent in 1986. The average age of all borrowers remained near 48 years. The percentage of loans to small operators dropped from near 36 percent in 1986 to about 33 percent in 1987.

The selected borrower characteristics for loans made and outstanding may be found in the last three tables of this report.

Index of Financial Tables

Table 1
Farm Credit System Combined Statement of Condition

(Dollars in Thousands)

As of December 31	1987	1986
Assets		
Loans, Less Allowance for Loan Losses of $2,951,027 and $3,635,340 in 1987 and 1986, Respectively	$49,547,116	$54,614,267
Cash and Investment Securities (Market values $9,427,474 and $11,471,471 in 1987 and 1986, Respectively)	9,408,476	11,413,009
Total Earning Assets	**58,955,592**	**66,027,276**
Accrued Interest Receivable on Loans	1,641,483	2,200,978
Other Property Owned	876,457	1,101,465
Premises and Equipment, Less Accumulated Depreciation	447,288	494,284
Other Assets and Deferred Charges	317,654	276,550
Total Assets	**$62,238,474**	**$70,100,553**
Liabilities and Capital		
Consolidated Systemwide Bonds	$38,445,224	$45,008,168
Consolidated Bank and Other Bonds	2,397,715	3,726,097
Consolidated Systemwide Notes	14,431,915	13,743,922
Notes Payable and Other Interest-Bearing Liabilities	253,629	197,683
Accrued Interest Payable	1,187,295	1,434,394
Other Liabilities	92,666	349,299
Total Liabilities	**47,208,444**	**64,459,563**
Contingent Liabilities		
Capital Stock and Participation Certificates	3,683,861	4,188,060
Surplus	1,346,169	1,452,930
Total Capital	**5,030,030**	**5,640,990**
Total Liabilities and Capital	**$62,238,474**	**$70,100,553**

Table 2
Farm Credit System Combined Statement of Operations

(Dollars in Thousands)

For the Year Ended December 31	1987	1986	1985
Interest Income			
Loans	$5,171,782	$ 6,638,177	$ 8,581,024
Investment Securities	611,522	531,186	392,599
Total Interest Income	**5,783,304**	**7,169,363**	**8,973,623**
Interest Expense			
Consolidated Systemwide Bonds	4,172,866	5,312,702	6,705,418
Consolidated Bank and Other Bonds	216,565	280,671	388,865
Consolidated Systemwide Notes	862,571	769,971	540,961
Notes Payable and Other Interest-Bearing Liabilities	22,418	25,396	43,819
Total Interest Expense	**5,274,420**	**6,388,740**	**7,679,063**
Net Interest Income	508,884	780,623	1,294,560
Provision for Loan Losses	(195,935)	1,797,740	2,968,756
Losses on Other Property Owned	11,798	232,909	284,600
Net Interest Income (Loss) After Provision For Loan Losses and Losses on Other Property Owned	**693,021**	**(1,250,026)**	**(1,958,796)**
Other Income	**97,252**	**129,390**	**152,477**
	790,273	(1,120,636)	(1,806,319)
Other Expenses			
Salaries and Employee Benefits	486,005	497,063	534,386
Occupancy and Equipment Expense	88,447	88,722	86,530
Other Operating Expense	211,672	224,112	274,984
Miscellaneous	21,638	(17,732)	(13,432)
Total Other Expenses	**807,762**	**792,165**	**882,468**
Net Income (Loss)	**$ (17,489)**	**$(1,912,801)**	**$(2,688,787)**

Table 3
Farm Credit System Five-Year Summary of Selected Combined Financial Data

(Dollars in Millions)

As of December 31	1987	1986	1985	1984	1983
Combined Statement of Condition Data					
Loans	$52,498	$58,249	$69,805	$79,803	$81,878
Allowance for Loan Losses	2,951	3,635	3,190	1,326	1,418
Cash and Investment Securities	9,408	11,413	8,329	3,553	2,667
Accrued Interest Receivable on Loans	1,641	2,201	3,070	3,684	3,736
Consolidated Systemwide Bonds	38,445	45,008	54,117	62,071	62,850
Consolidated Bank and Other Bonds	2,398	3,726	4,147	5,231	5,182
Consolidated Systemwide Notes	14,432	13,744	10,587	4,890	4,783
Total Capital	5,030	5,641	8,370	11,837	11,753
Total Risk Funds (Total Capital Plus Allowance for Loan Losses)	$ 7,981	$ 9,276	$11,560	$13,163	$13,171
For the Year Ended December 31	**1987**	**1986**	**1985**	**1984**	**1983**
Combined Statement of Operations Data					
Net Interest Income	$ 509	$ 781	$ 1,295	$ 1,453	$ 1,421
Provision for Loan Losses and Losses on Other Property Owned	(184)	2,031	3,253	360	235
Other Expenses (Income), Net	710	663	731	720	639
Net Income (Loss)	$ (17)	$ (1,913)	$ (2,689)	$ 373	$ 547

Table 4
Farm Credit System Summary of Financial Condition

(Dollars in Millions)

As of December 31, 1987	13 BCs	12 FICBs	12 FLBs	FLBAs	PCAs
Loans—Total Principal	$ 8,099.2	$ 9,158.6	$35,409.5	N/A	$ 9,675.1
Performing	7,933.6	3,847.6	27,190.2	N/A	7,867.9
Formally Restructured	67.3	934.0	811.5	N/A	367.2
Other Restructured or Reduced Rate	14.7	1.4	32.2	N/A	29.0
Other High Risk	72.8	4,180.0	3,007.5	N/A	645.4
Nonaccrual	10.8	145.6	4,368.1	N/A	765.6
Less: Allowance for Losses	141.0	59.1	2,139.3	N/A	579.6
Net Loans	7,958.2	9,099.5	33,270.2	N/A	9,095.5
Cash and Investments in Securities	2,749.4	2,607.9	3,864.2	$ 215.0	34.2
Net Acquired Property	11.4	25.4	739.3	N/A	110.2
Other Assets Net of Adjustments	419.0	224.1	616.8	1,457.0	2,016.1
Total Assets	11,138.0	11,956.9	38,490.5	1,672.0	11,256.0
Total Liabilities	10,102.9	10,071.9	37,007.0	227.6	9,144.7
Capital Stock and Participation Certificates	736.8	1,367.6	1,256.3	1,255.3	968.9
Earned Net Worth	298.4	517.8	227.2	189.2	1,142.3
Total Net Worth	$ 1,035.2	$ 1,885.4	$ 1,483.5	$1,444.5	$ 2,111.3

N/A Not applicable.
Components may not add to exact totals due to rounding.

Table 5
Farm Credit System Summary of Income and Expenses

(Dollars in Millions)

For the Year Ended December 31, 1987	13 BCs	12 FICBs	12 FLBs	FLBAs	PCAs
Total Interest Income	$821.5	$987.9	$3,822.3	$ 13 7	$958.7
Less: Total Interest Expense	692.7	810.5	3,803.8	N/A	781 4
Net Interest Income (Loss)	128.8	177.4	18.5	13.7	177 3
Less: Provision for Loan Losses	(6.8)	(14.4)	(63.0)	(10.3)	(66.5)
Net Interest Income (Loss) after Provision for Loan Losses	135.6	191.8	81.5	24.0	243.8
Plus: Other Income	8.1	7.5	151.1	222.1	115.2
Less: Other Expenses	63.9	109.9	449.7	477.8	261.9
Net Income (Loss)	$ 79.8	$ 89.3	$ (217 1)	$(231.7)	$ 97.1

N/A Not applicable.
Components may not add to exact totals due to rounding.

Table 6
Farm Credit System Summary of Selected Financial Measures

(Dollars in Millions)

For the Year Ended December 31, 1987	13 BCs	12 FICBs	12 FLBs	FLBAs	PCAs
Return on Assets	0.75%	0.73%	0.83%	(12.23%)	0.84%
Return on Equity	7.61%	4.76%	22.03%	(12.55%)	4.55%
Net Interest Margin	1.22%	1.51%	0.47%	N/A	1.97%
Net Chargeoffs on Loans	$(2.02)	$8.27	$404.50	$3.85	$46.48
As of December 31, 1987					
Capital as a % of Assets	9.29%	15.77%	3.85%	78.32%	18.76%
Debt-to-Capital Ratio (:1)	9.76	5.34	0.25	2.64	4.33

N/A Not applicable.

Table 7
Federal Land Banks Combined Trends in Financial Condition

(Dollars in Millions)

As of December 31	1987	1986	1985
Loans—Total Principal	$35,409.5	$40,109.4	$47,765.6
Performing	27,190.2	29,650.4	40,373.7
Formally Restructured	811.5	67.7	14.9
Other Restructured or Reduced Rate	32.2	5.5	16.8
Other High Risk	3,007.5	4,532.4	3,331.0
Nonaccrual	4,368.1	5,853.4	4,029.2
Less: Allowance for Losses	2,139.3	2,620.5	2,117.6
Net Loans	33,270.2	37,488.9	45,648.0
Cash and Investments in Securities	3,864.2	5,390.2	3,784.5
Net Acquired Property	739.3	902.2	721.9
Other Assets Net of Adjustments	616.8	1,548.0	1,891.4
Total Assets	38,490.5	45,329.3	52,045.8
Total Liabilities	37,007.0	43,346.3	48,292.1
Capital Stock and Participation Certificates	1,256.3	2,241.0	2,592.3
Earned Net Worth	227.2	(258.0)	1,161.4
Total Net Worth	$ 1,483 5	$ 1,983.0	$ 3,753.7

Components may not add to exact totals due to rounding.

Table 8
Federal Land Banks Combined Trends in Income and Expenses

(Dollars in Millions)

For the Year Ended December 31	1987	1986	1985
Total Interest Income	$ 3,822.3	$ 4.820.0	$ 5,897.2
Less: Total Interest Expense	3,803.8	4,686.4	5,477.7
Net Interest Income (Loss)	18.5	133.6	419.5
Less: Provision for Loan Losses	(63.0)	1,459.9	2,013.6
Net Interest Income (Loss) after Provision for Loan Losses	81.5	(1,326.3)	(1,594.1)
Plus: Other Income	151.1	552.8	79.4
Less: Other Expenses	449.7	644.6	501.6
Net Income (Loss)	$ (217.1)	$ (1,418.1)	$(2,016.3)

Components may not add to exact totals due to rounding.

Table 9
Federal Land Banks Combined Trends in Selected Financial Measures

(Dollars in Millions)

For the Year Ended December 31	1987	1986	1985
Return on Assets	0.83%	(2.94%)	(3.85%)
Return on Equity	22.03%	(48.37%)	(38.16%)
Net Interest Margin	0.47%	0.31%	0.84%
Net Chargeoffs on Loans	$404.50	$937.60	$460.30
As of December 31	**1987**	**1986**	**1985**
Capital as a % of Assets	3.85%	4.39%	7.10%
Debt-to-Capital Ratio (:1)	0.25	21.75	13.08

Table 10
Federal Land Bank Associations Combined Trends in Financial Condition

(Dollars in Millions)

As of December 31	1987	1986	1985
Loans—Total Principal(1)			
Performing	—	—	—
Formally Restructured	—	—	—
Other Restructured or Reduced Rate	—	—	—
Other High Risk	—	—	—
Nonaccrual	—	—	—
Less: Allowance for Losses	—	—	—
Net Loans	—	—	—
Cash and Investments in Securities	$ 215.0	$ 202.1	$ 437.2
Net Acquired Property	N/A	N/A	N/A
Other Assets Net of Adjustments	1,457.0	2,189.8	2,787.8
Total Assets	1,672.0	2,340.6	3,225.0
Total Liabilities(2)	227.6	253.2	271.0
Capital Stock and Participation Certificates	1,255.3	2,235.2	2,592.4
Earned Net Worth	189.2	(147.8)	361.6
Total Net Worth	$1,444.5	$2,087.5	$2,954.0

(1) The FBLAs act as agents for the FLBs in the lending process, but do not hold loans themselves.
(2) FLBAs in some districts have liability for losses on FLB loans. Because FLBAs do not make loans, the FLBA allowance for loan losses is included in FLBA liabilities.
Components may not add to exact totals due to rounding.
N/A Not applicable.

Table 11
Federal Land Bank Associations Combined Trends in Income and Expenses

(Dollars in Millions)

For the Year Ended December 31	1987	1986	1985
Total Interest Income	$ 13.7	$ 26.2	$ 51.9
Less: Total Interest Expense	N/A	N/A	N/A
Net Interest Income (Loss)	13.7	26.2	51.9
Less: Provision for Loan Losses	(10.3)	14.3	48.9
Net Interest Income (Loss) after Provision for Loan Losses	24.0	11.9	3.0
Plus: Other Income	222.1	201.9	193.4
Less: Other Expenses	477.8	691.7	356.4
Net Income (Loss)	$(231.7)	$(477.9)	$(160.0)

N/A Not applicable.
Components may not add to exact totals due to rounding.

Table 12
Federal Land Bank Associations Combined Trends in Selected Financial Measures

(Dollars in Millions)

For the Year Ended December 31	1987	1986	1985
Return on Assets	(12.23%)	(3.85%)	(13.64%)
Return on Equity	(12.55%)	(4.10%)	(14.93%)
Net Interest Margin	N/A	N/A	N/A
Net Chargeoffs on Loans	$3.85	$50.28	N/A
As of December 31	**1987**	**1986**	**1985**
Capital as a % of Assets	78.32%	92.45%	89.41%
Debt-to-Capital Ratio (:1)	2.64	0.05	0.12

N/A Not applicable.

Table 13
Federal Intermediate Credit Banks Combined Trends in Financial Condition

(Dollars in Millions)

As of December 31	1987	1986	1985
Loans—Total Principal	$ 9,158.6	$10,764.6	$13,898.2
Performing	3,847.6	4,676.0	8,834.8
Formally Restructured	934.0	930.6	1,009.6
Other Restructured or Reduced Rate	1.4	0.1	62.6
Other High Risk	4,180.0	4,985.6	3,798.1
Nonaccrual	145.6	172.3	193.1
Less: Allowance for Losses	59.1	81.3	144.9
Net Loans	9,099.5	10,683.3	13,753.3
Cash and Investments in Securities	2,607.9	3,523.4	2,182.8
Net Acquired Property	25.4	35.2	22.6
Other Assets Net of Adjustments	224.1	329.6	490.4
Total Assets	11,956.9	14,571.5	16,449.1
Total Liabilities	10,071.6	12,748.0	14,582.1
Capital Stock and Participation Certificates	1,367.6	1,373.6	1,402.5
Earned Net Worth	517.8	449.9	464.5
Total Net Worth	$ 1,885.4	$ 1,823.5	$ 1,867.0

Components may not add to exact totals due to rounding.

Table 14
Federal Intermediate Credit Banks Trends in Income and Expenses

(Dollars in Millions)

For the Year Ended December 31	1987	1986	1985
Total Interest Income	$987.9	$1,320.2	$1,798.1
Less: Total Interest Expense	810.5	1,038.3	1,509.4
Net Interest Income (Loss)	177.4	281.9	288.7
Less: Provision for Loan Losses	(14.4)	(15.6)	160.3
Net Interest Income (Loss) after Provision for Loan Losses	191.8	297.5	128.4
Plus: Other Income (Loss)	7.5	5.0	0.0
Less: Other Expenses	109.9	290.4	217.7
Net Income (Loss)	$ 89.3	$ 12.1	$ (89.3)

Components may not add to exact totals due to rounding.

Table 15
Federal Intermediate Credit Banks Combined Trends in Selected Financial Measures

(Dollars in Millions)

For the Year Ended December 31	1987	1986	1985
Return on Assets	0.73%	0.08%	(0.50%
Return on Equity	4.76%	0.66%	(4.51%)
Net Interest Margin	1.51%	1.94%	1.68%
Net Chargeoffs on Loans	$8.27	$31.70	$38.60
As of December 31	**1987**	**1986**	**1985**
Capital as a % of Assets	15.77%	12.51%	11.35%
Debt-to-Capital Ratio (:1)	5.34	6.99	7.81

Table 16
Production Credit Associations Combined Trends in Financial Condition

(Dollars in Millions)

As of December 31	1987	1986	1985
Loans—Total Principal	$ 9,675.1	$11,078.6	$14,367 9
Performing	7,867.9	8,798.3	12,124.5
Formally Restructured	367.2	224.3	32.6
Other Restructured or Reduced Rate	29.0	12.0	20.1
Other High Risk	645.4	1,025.8	1,299.2
Nonaccrual	765.6	1,018.2	891 5
Less: Allowance for Losses	579.6	688.1	666.6
Net Loans	9,095.5	10,390.5	13,701.3
Cash and Investments in Securities	34.2	53.5	28.0
Net Acquired Property	110.2	142.6	162.4
Other Assets Net of Adjustments	2,016.1	2,313.4	2,483.0
Total Assets	11,256.0	12,899.8	16,374.7
Total Liabilities	9,144.7	10,645.2	13,476.1
Capital Stock and Participation Certificates	968.9	1,150.9	1,515.0
Earned Net Worth	1,142.3	1,103.8	1,383.6
Total Net Worth	$ 2,111.3	$ 2,254.6	$ 2,898.6

Components may not add to exact totals due to rounding.

Table 17
Production Credit Associations Combined Trends in Income and Expenses

(Dollars in Millions)

For the Year Ended December 31	1987	1986	1985
Total Interest Income	$958.7	$1,336.0	$1,902.3
Less: Total Interest Expense	781.4	1,149.7	1,592.6
Net Interest Income (Loss)	177.3	186.3	309.7
Less: Provision for Loan Losses	(66.5)	351.9	722.7
Net Interest Income (Loss) after Provision for Loan Losses	243.8	(165.6)	(413.0)
Plus: Other Income	115.2	189.0	247.7
Less: Other Expenses	261.9	303.6	434.5
Net Income (Loss)	$ 97.1	$ (280.2)	$ (599.8)

Components may not add to exact totals due to rounding.

Table 18
Production Credit Associations Combined Trends in Selected Financial Measures

(Dollars in Millions)

For the Year Ended December 31	1987	1986	1985
Return on Assets	0.84%	(10.27%)	(1.86%)
Return on Equity	4.55%	(56.57%)	(10.83%)
Net Interest Margin	1.97%	1.67%	1.63%
Net Chargeoffs on Loans	$46.48	$137.20	$305.80
As of December 31	**1987**	**1986**	**1985**
Capital as a % of Assets	18.76%	17.70%	17.49%
Debt-to-Capital Ratio (:1)	4.33	4.65	4.72%

Table 19
Banks for Cooperatives Combined Trends in Financial Condition

(Dollars in Millions)

As of December 31	1987	1986	1985
Loans—Total Principal	$ 8,099.2	$7,417.7	$ 8,149.4
Performing	7,933.6	7,111.5	7,680.0
Formally Restructured	67.3	71.0	65.4
Other Restructured or Reduced Rate	14.7	15.8	0.9
Other High Risk	72.8	171.4	272.0
Nonaccrual	10.8	48.0	131.1
Less: Allowance for Losses	141.0	145.5	131.9
Net Loans	7,958.2	7,272.2	8,017.5
Cash and Investments in Securities	2,749.4	2,290.0	2,325.3
Net Acquired Property	11.4	15.5	11.2
Other Assets Net of Adjustments	419.0	233.6	263.6
Total Assets	11,138.0	9,811.3	10,617.6
Total Liabilities	10,102.9	8,736.9	9,451.5
Capital Stock and Participation Certificates	736.8	771.3	833.3
Earned Net Worth	298.4	303.1	332.8
Total Net Worth	$ 1,035.2	$1,074.4	$ 1,166.1

Components may not add to exact totals due to rounding.

Table 20
Banks for Cooperatives Combined Trends in Income and Expenses

(Dollars in Millions)

For the Year Ended December 31	1987	1986	1985
Total Interest Income	$821.5	$864.8	$993.0
Less: Total Interest Expense	692.7	725.1	825.5
Net Interest Income (Loss)	128.8	139.7	167.5
Less: Provision for Loan Losses	(6.8)	13.5	24.5
Net Interest Income (Loss) after Provision for Loan Losses	135.6	126.2	143.0
Plus: Other Income	8.1	13.3	6.6
Less: Other Expenses	63.9	138.9	83.3
Net Income (Loss)	$ 79.8	$ 0.6	$ 66.3

Components may not add to exact totals due to rounding.

Table 21
Banks for Cooperatives Combined Trends in Selected Financial Measures

(Dollars in Millions)

For the Year Ended December 31	1987	1986	1985
Return on Assets	0.75%	0.01%	0.66%
Return on Equity	7.61%	0.05%	5.53%
Net Interest Margin	1.22%	1.40%	1.69%
Net Chargeoffs on Loans	$(2.02)	$(1.80)	$13.80
As of December 31	**1987**	**1986**	**1985**
Capital as a % of Assets	9.29%	10.95%	10.98%
Debt-to-Capital Ratio (:1)	9.76	8.13	8.11

Table 22
Federal Land Banks Combined Statement of Condition

(Dollars in Thousands)

As of December 31	1987	1986	Percent Change
Assets			
Loans: Unmatured Principal	$30,170,877	$33,942,200	(11.13)
Unmatured Extensions	21,272	5,694	273.58
Delinquent Principal and Advances	91,827	138,156	(33.53)
Loans in Process of Closing	46,791	45,317	3.25
Nonaccrual Loans	4,368,096	5,853,405	(25.37)
Accrued Interst Receivable on Loans	1,323,123	1,766,133	(25.08)
Gross Loan Items	36,021,986	41,760,905	(13.74)
Less: Allowance for Losses	2,139,258	2,620,472	(18.36)
Less: Deferred Proceeds of Loans	44,368	53,958	(17.77)
Less: Future Payment Funds	237,719	259,477	(8.38)
Less: Advance Payments	219,844	243,052	(9.54)
Less: Unamortized Loan Fees	12,495	15,914	(21.48)
Less: Unapplied Loan Payments	98,071	240,502	(59.22)
Net Loan Items	33,270,231	38,327,530	(13.19)
Cash	182,410	266,704	(31.60)
Investments: U.S. Government Securities (Par)	64,150	88,170	(27.24)
Securities Government Supervised Institutions (Par)	36,146	75,246	(51.96)
Other Securities and Federal Funds	3,584,202	4,968,577	(27.86)
Investment in BC Bankers Acceptances (Par)	0	0	0.00
Unamortized Premium or Discount (Net)	(2,935)	(8,882)	(66.95)
Unamortized Defer Gain/Loss Security Sales (Net)	201	366	(45.08)
Total Investment in Securities	3,681,764	5,123,477	(28.13)
Investments in Farm Credit Institutions	3,166	2,937	7.79
Notes Receivable Farm Credit Banks and Other	222,384	144,583	94.08
Accounts Receivable	171,107	390,073	(56.13)
Accrued Interest Receivable—Other Farm Credit Banks	7,405	3,245	128.19
Accrued Interest Receivable—Investments	32,852	21,645	51.77
Acquired Property	829,632	1,213,148	(31.61)
Less: Allowance for Losses	90,321	310,899	(70.94)
Less: Accumulated Depreciation	0	0	0.00
Net Acquired Property	739,311	902,249	(18.05)
Land, Buildings, and Equipment	170,654	163,207	4.56
Less: Accumulated Depreciation	61,204	50,091	22.18
Net Land, Buildings, and Equipment	109,450	133,116	(3.24)
Prepaid Expenses and Other Assets	70,375	63,724	10.43
Total Assets	**$38,490,455**	**$45,329,283**	**(15.08)**
Liabilities and Net Worth			
Drafts Outstanding	$ 14,155	$ 11,572	22.32
Notes Payable: FLBAs	193,051	180,310	7.06
Other Farm Credit Banks	27,200	7,050	285.81
Consolidated Systemwide Notes	3,610,651	4,297,807	(15.98)
Commercial Banks and Other	1,570,101	1,260,979	24.51
Securities Sold Under Agreement to Repurchase	0	34,225	(100.00)
Total Notes Payable	5,401,003	5,780,371	(6.56)
Accounts Payable	43,508	13,870	213.68
Accrued Interest Payable	946,989	1,134,952	(16.56)
Miscellaneous Trust Accounts	94,674	56,932	85.88
Unmatured Consolidated and Systemwide Bonds	30,557,105	36,450,295	(16.16)
Less: Consolidated Bonds Owned	222,000	222,000	0.00
Less: Unamortized Premiums and Discounts	(29,736)	(2,079)	1,330.30
Net Consolidated and Systemwide Bonds Outstanding	30,364,841	36,230,374	(16.18)
Unmatured Farm Credit Investment Bonds Outstanding	93,898	88,922	5.59
Matured Farm Credit Investment Bonds Outstanding	0	0	0.00
Other Liabilities	47,930	35,291	35.81
Total Liabilities	**37,006,998**	**43,346,284**	**(14.62)**
Capital Stock: Class B—FLBAs	1,875,411	2,145,609	(12.59)
Class C—FLBAs	0	0	0.00
Participation Certificates—FLBAs	83,174	95,342	(12.76)
Less: Impairment of Stock	702,325	0	100.00
Total Capital Stock	1,256,260	2,240,951	(43.94)
Earned Net Worth: Legal Reserve	227,197	(8,789)	2,685.01
Surplus Reserve	0	0	0.00
Earned Surplus	0	(249,163)	100.00
Total Earned Net Worth	227,197	(257,952)	188.07
Total Net Worth	**1,483,457**	**1,982,999**	**(25.19)**
Total Liabilities and Net Worth	**$38,490,455**	**$45,329,283**	**(15.08)**

Totals may not add due to rounding.

Table 23
Federal Land Banks Statement of Condition by District

(Dollars in Thousands)

As of December 31, 1987	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Assets						
Loans: Unmatured Principal	$761,900	$1,758,261	$3,301,888	$2,320,257	$1,236,448	$2,713,501
Unmatured Extensions	0	0	394	0	0	393
Delinquent Principal and Advances	2,017	360	24,492	6,546	5,246	5,766
Loans in Process of Closing	0	5,096	371	3,381	8,102	469
Nonaccrual Loans	11,451	30,513	289,494	356,313	381,718	550,858
Accrued Interest Receivable on Loans	8,198	31,568	111,407	119,858	63,748	125,875
Gross Loan Items	783,566	1,825,798	3,728,046	2,806,355	1,695,262	3,396,862
Less: Allowance for Losses	11,600	16,453	188,101	156,433	101,149	232,256
Less: Deferred Proceeds of Loans	2,326	9,806	7,923	1,935	172	1,161
Less: Future Payment Funds	0	0	0	0	0	0
Less: Advance Payments	370	13,776	27,136	39,035	4	31,976
Less: Unamortized Loan Fees	0	0	0	0	4,266	0
Less: Unapplied Loan Payments	516	0	31,022	8,082	3,457	10,280
Net Loan Items	768,754	1,785,763	3,473,864	2,600,870	1,586,214	3,121,189
Cash	4,704	4,757	36,557	17,058	4,700	28,125
Investments: U.S. Government Securities (Par)	0	1,365	2,035	0	2,325	2,500
Securities Government Supervised Institutions (Par)	0	0	20,625	0	105	0
Other Securities and Federal Funds	96,053	991,696	513,219	169,142	223,640	404,634
Investment in BC Bankers Acceptances (Par)	0	0	0	0	0	0
Unamortized Premium or Discount (Net)	0	(3)	(65)	(491)	(13)	(35)
Unamortized Defer Gain/Loss Security Sales (Net)	0	0	60	0	0	141
Total Investment in Securities	96,053	101,058	535,874	168,651	226,057	407,240
Investments in Farm Credit Institutions	172	75	228	221	185	215
Notes Receivable Farm Credit Banks and Others	0	11,415	555	512	5,568	274
Accounts Receivable	2,368	4,017	1,988	94,412	84,243	26,799
Accrued Interest Receivable—Other Farm Credit Banks	0	1,221	14	17	0	0
Accrued Interest Receivable—Investments	1,356	1	4,603	1,451	1,331	2,637
Acquired Property	4,615	1,619	20,924	35,011	92,626	90,346
Less: Allowance for Losses	277	124	3,365	1,550	8,959	9,599
Less: Accumulated Depreciation	0	0	0	0	0	
Net Acquired Property	4,338	1,495	17,559	33,461	83,667	80,747
Land, Buildings, and Equipment	12,964	14,154	10,587	7,596	10,192	15,408
Less: Accumulated Depreciation	5,882	4,205	5,776	5,780	2,927	4,574
Net Land, Buildings, and Equipment	7,082	9,949	4,811	1,816	7,265	10,834
Prepaid Expenses and Other Assets	1,319	3,654	12,556	4,653	3,137	4,227
Total Assets	**$886,146**	**$1,923,405**	**$4,088,609**	**$2,923,124**	**$2,002,367**	**$3,682,337**
Liabilities and Net Worth						
Drafts Outstanding	$ 1,366	$ 4,972	$ 4,530	$ 1,025	$ 180	$ 298
Notes Payable: FLBAs	4,121	70,173	8,231	0	0	0
Other Farm Credit Banks	0	0	0	0	0	0
Consolidated Systemwide Notes	134,795	201,376	298,334	74,856	180,159	336,796
Commercial Banks and Other	0	46,211	110,003	90,107	76,214	125,569
Securities Sold Under Agreement to Repurchase	0	0	0	0	0	0
Total Notes Payable	138,916	317,760	416,568	164,963	256,373	462,365
Accounts Payable	28,661	81,327	109,144	1,070	676	4,057
Accrued Interest Payable	18,506	42,699	83,825	88,656	55,299	89,454
Miscellaneous Trust Accounts	695	4,533	8,449	1,821	226	15,035
Unmatured Consolidated and Systemwide Bonds	610,389	1,208,600	3,246,568	2,667,146	1,719,900	2,952,200
Less: Consolidated Bonds Owned	0	0	47,000	100,000	25,000	0
Less: Unamortized Premiums and Discounts	2,004	(1,804)	(567)	4,872	448	(1,221)
Net Consolidated and Systemwide Bonds Outstanding	612,393	1,210,404	3,200,135	2,562,274	1,694,452	2,953,421
Unmatured Farm Credit Investment Bonds Outstanding	0	93,898	0	0	0	0
Matured Farm Credit Investment Bonds Outstanding	0	0	0	0	0	0
Other Liabilities	554	411	3,470	2,506	1,547	12,828
Total Liabilities	**801,091**	**1,756,004**	**3,826,121**	**2,822,315**	**2,008,753**	**3,537,458**
Capital Stock: Class B—FLBAs	42,976	87,545	179,488	162,061	89,048	182,595
Class C—FLBAs	0	0	0	0	0	0
Participation Certificates—FLBAs	4,300	9,754	21,818	4,413	5,561	2,787
Less: Impairment of Stock	0	0	0	65,664	100,995	40,506
Total Capital Stock	47,276	97,299	201,306	100,810	(6,386)	144,876
Earned Net Worth: Legal Reserve	37,780	70,101	61,185	0	0	0
Surplus Reserve	0	0	0	0	0	0
Earned Surplus	0	0	0	0	0	0
Total Earned Net Worth	37,780	70,101	61,185	0	0	0
Total Net Worth	**85,056**	**167,400**	**262,491**	**100,810**	**(6,386)**	**144,876**
Total Liabilities and Net Worth	**$886,147**	**$1,923,404**	**$4,088,612**	**$2,923,125**	**$2,002,367**	**$3,682,334**

Totals may not add due to rounding.

Table 23 (continued)
Federal Land Banks Statement of Condition by District

(Dollars in Thousands)

As of December 31, 1987	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Assets						
Loans: Unmatured Principal	$4,082,797	$3,112,406	$2,913,315	$2,256,384	$3,464,783	$2,248,937
Unmatured Extensions	661	19,669	0	155	0	0
Delinquent Principal and Advances	621	5,271	7,160	6,963	16,133	11,253
Loans in Process of Closing	0	1,434	3,965	8,117	15,858	(3)
Nonaccrual Loans	870,592	512,726	402,987	71,978	431,910	457,555
Accrued Interest Receivable on Loans	139,039	184,492	127,785	110,302	187,467	113,383
Gross Loan Items	5,093,710	3,835,998	3,455,212	2,453,899	4,116,151	2,831,125
Less: Allowance for Losses	389,846	447,668	331,828	43,182	108,000	112,741
Less: Deferred Proceeds of Loans	600	2,730	584	8,166	8,276	690
Less: Future Payment Funds	0	82,432	17,881	62,260	29,894	45,252
Less: Advance Payments	56,460	0	18,652	32,376	59	0
Less: Unamortized Loan Fees	8,230	0	0	0	0	0
Less: Unapplied Loan Payments	0	5,179	4,504	10	33,961	1,061
Net Loan Items	4,638,574	3,297,989	3,081,763	2,307,905	3,935,961	2,671,381
Cash	(1,005)	27,690	12,602	9,980	24,018	13,224
Investments: U.S. Government Securities (Par)	6,000	3,925	45,000	0	0	1,000
Securities Government Supervised Institutions (Par)	0	0	0	0	3,416	12,000
Other Securities and Federal Funds	344,803	453,016	286,567	512,870	322,957	157,605
Investment in BC Bankers Acceptances (Par)	0	0	0	0	0	0
Unamortized Premium or Discount (Net)	(1,950)	93	87	0	(116)	(442)
Unamortized Defer Gain/Loss Security Sales (Net)	0	0	0	0	0	0
Total Investment in Securities	348,853	457,034	331,654	512,870	326,257	170,163
Investments in Farm Credit Institutions	516	525	433	189	206	199
Notes Receivable Farm Credit Banks and Other	153,857	0	45,109	954	1,022	3,115
Accounts Receivable	200,239	127,981	21,481	6,609	30,103	51,414
Accrued Interest Receivable—Other Farm Credit Banks	3,549	0	2,585	15	1	3
Accrued Interest Receivable—Investments	4,175	4,968	3,174	4,304	3,281	1,571
Acquired Property	247,007	119,280	83,362	16,986	71,555	46,303
Less: Allowance for Losses	30,092	14,655	19,384	408	1,859	48
Less: Accumulated Depreciation	0	0	0	0	0	0
Net Acquired Property	216,915	104,625	63,978	16,578	69,696	46,255
Land, Buildings, and Equipment	15,162	9,379	20,888	13,952	8,731	31,640
Less: Accumulated Depreciation	5,975	5,210	8,187	2,514	3,432	6,742
Net Land, Buildings, and Equipment	9,187	4,169	12,701	11,438	5,299	24,898
Prepaid Expenses and Other Assets	9,281	6,743	5,527	4,093	4,248	10,887
Total Assets	**$5,584,141**	**$4,031,724**	**$3,581,007**	**$2,874,935**	**$4,400,092**	**$2,993,110**
Liabilities and Net Worth						
Drafts Outstanding	$ 0	$ 0	$ 727	$ 0	$ 0	$ 1,058
Notes Payable: FLBAs	0	0	0	110,525	0	0
Other Farm Credit Banks	27,200	0	0	0	0	0
Consolidated Systemwide Notes	467,261	370,661	146,302	279,988	741,202	378,921
Commercial Banks and Other	323,240	377,116	112,833	94,848	128,748	85,209
Securities Sold Under Agreement to Repurchase	0	0	0	0	0	0
Total Notes Payable	817,701	747,777	259,135	485,361	869,950	464,130
Accounts Payable	17,629	16,415	674	80,900	77,515	105,986
Accrued Interest Payable	137,740	98,457	98,558	58,486	98,128	77,181
Miscellaneous Trust Accounts	28,521	25,614	1,334	1,507	4,110	2,829
Unmatured Consolidated and Systemwide Bonds	4,472,700	3,143,800	2,994,425	2,067,142	3,170,400	2,303,835
Less: Consolidated Bonds Owned	0	50,000	0	0	0	0
Less: Unamortized Premiums and Discounts	(1,266)	(1,913)	(1,923)	(19,484)	(4,047)	(827)
Net Consolidated and Systemwide Bonds Outstanding	4,473,966	3,095,713	2,996,348	2,086,626	3,174,447	2,304,662
Unmatured Farm Credit Investment Bonds Outstanding	0	0	0	0	0	0
Matured Farm Credit Investment Bonds Outstanding	0	0	0	0	0	0
Other Liabilities	14,697	2,760	3,675	2,096	1,582	1,804
Total Liabilities	**5,490,254**	**3,986,736**	**3,360,451**	**2,714,976**	**4,225,732**	**2,957,650**
Capital Stock: Class B—FLBAs	265,210	189,866	185,418	121,953	226,256	142,996
Class C—FLBAs	0	0	0	0	0	0
Participation Certificates—FLBAs	11,427	4,158	7,180	7,834	1,383	2,559
Less: Impairment of Stock	182,751	149,035	0	0	53,280	110,093
Total Capital Stock	93,886	44,989	192,598	129,787	174,359	35,462
Earned Net Worth: Legal Reserve	0	0	27,959	30,172	0	0
Surplus Reserve	0	0	0	0	0	0
Earned Surplus	0	0	0	0	0	0
Total Earned Net Worth	0	0	27,959	30,172	0	0
Total Net Worth	**93,886**	**44,989**	**220,557**	**159,959**	**174,359**	**35,462**
Total Liabilities and Net Worth	**$5,584,140**	**$4,031,725**	**$3,581,008**	**$2,874,935**	**$4,400,091**	**$2,993,112**

Totals may not add due to rounding.

Table 24
Federal Land Banks Combined Statement of Income

(Dollars in Thousands)

For the Year Ended December 31	1987	1986	Percent Change
Income			
Loan Interest Income: Mortgage Loans	$3,499,589	$ 4,466,762	(21.65)
Notes Receivable Other Farm Credit Banks	2,333	10,867	(78.53)
Sales Contracts (Net)	13,804	2,956	366.98
Penalty and Other Interest Income	50,882	79,029	(35.61)
Total Interest Income from Loans	3,566,608	4,559,614	(21.77)
Income from Investments (Net)	255,673	260,395	(1.81)
Compensation Income—Participations Sold	0	0	0.00
Appraisal and Loan Service Fees	9,201	13,615	(32.42)
Financially Related Services	3,352	2,441	37.32
Other Operating Income	6,553	40,458	(83.80)
Gross Income	**3,841,387**	**4,876,523**	**(21.22)**
Expenses			
Notes and Bonds Expense: Cost of Bonds	3,461,648	4,391,373	(21.17)
Interest on Notes Payable	323,056	270,739	19.32
Interest on Future Payment Funds	19,092	24,316	(21.48)
Total Cost of Borrowed Funds	3,803,796	4,686,428	(18.83)
Compensation Expense—Participations Purchased	0	0	0.00
Operating Expense	362,870	312,844	15.99
Total Expenses	**4,166,666**	**4,999,272**	**(16.65)**
Net Gain (Loss) from Operations	**(325,279)**	**(122,749)**	**(164.99)**
Other Additions/Deductions:			
Profit (Loss)—Sale of Investments	(103)	2,576	(103.99)
Income (Expense)—Other	13,749	14,027	(1.98)
Net Profit (Loss)—Acquired Property	85,183	9,621	785.38
Provision for Losses—Acquired Property	(86,744)	(194,620)	(55.42)
Interest on Investments—Buildings/Premises	386	1,470	(73.74)
Income (Expense)—Loss Sharing	4,204	(137,104)	103.06
Income (Expense)—Capital Corp. Assessments	0	0	0.00
Other Gains (Losses)	28,469	468,545	(93.92)
Total Other Additions and Deductions	45,144	164,515	(72.55)
Net Gain (Loss) before Provision for Losses	(280,135)	41,766	(770.72)
Provision for Losses	(62,958)	1,459,897	(104.31)
Net Income (Loss)	**$ (217,177)**	**$(1,418,131)**	**84.68**

Totals may not add due to rounding.

Table 25
Federal Land Banks Statement of Income by District

(Dollars in Thousands)

For the Year Ended December 31, 1987	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Income						
Loan Interest Income: Mortgage Loans	$78,875	$163,993	$391,133	$288,311	$154,431	$325,460
Notes Receivable Other Farm Credit Banks	24	123	0	160	871	197
Sales Contracts (Net)	0	919	0	94	0	0
Penalty and Other Interest Income	1,326	1,092	3,440	2,663	1,426	1,703
Total Interest Income from Loans	80,225	166,127	394,573	291,228	156,728	327,360
Income from Investments (Net)	7,240	10,433	28,090	12,127	11,253	32,153
Compensation Income—Participations Sold	0	0	0	0	0	0
Appraisal and Loan Service Fees	84	179	2,116	266	357	702
Financially Related Services	0	47	0	2,146	190	339
Other Operating Income	167	328	643	865	304	532
Gross Income	**87,716**	**177,114**	**425,422**	**306,632**	**168,832**	**361,086**
Expenses						
Notes and Bonds Expense: Cost of Bonds	67,012	152,077	363,487	318,940	200,531	322,799
Interest on Notes Payable	7,783	16,363	12,261	7,979	12,724	35,690
Interest on Future Payment Funds	8	0	0	0	0	0
Total Cost of Borrowed Funds	74,803	168,440	375,748	326,919	213,255	358,489
Compensation Expense—Participations Purchased	0	0	0	0	0	0
Operating Expense	10,738	18,685	36,389	32,941	21,389	37,896
Total Expenses	**85,541**	**187,125**	**412,137**	**359,860**	**234,644**	**396,385**
Net Gain (Loss) from Operations	**2,175**	**(10,011)**	**13,285**	**(53,228)**	**(65,812)**	**(35,299)**
Other Additions/Deductions:						
Profit (Loss)—Sale of Investments	0	0	0	0	0	0
Income (Expense)—Other	0	2	12	0	3,609	469
Net Profit (Loss)—Acquired Property	125	212	(2,962)	9,026	4,891	7,695
Provision for Losses—Acquired Property	(161)	103	768	(1,632)	(8,664)	(1,293)
Interest on Investments—Buildings/Premises	0	431	206	0	(252)	0
Income (Expense)—Loss Sharing	0	0	0	0	0	0
Income (Expense)—Capital Corp. Assessments	0	0	0	0	0	0
Other Gains (Losses)	22	(7)	(48)	192	27,124	(384)
Total Other Additions and Deductions	(14)	741	(2,024)	7,586	26,708	6,487
Net Gain (Loss) before Provision for Losses	2,161	(9,270)	11,261	(45,642)	(39,104)	(28,812)
Provision for Losses	(244)	(3,015)	(42,491)	(15,955)	5,224	(33,978)
Net Income (Loss)	**$ 2,405**	**$ (6,255)**	**$ 53,752**	**$ (29,687)**	**$ (44,328)**	**$ 5,166**

Totals may not add due to rounding.

Table 25 (continued)
Federal Land Banks Statement of Income by District

(Dollars In Thousands)

For the Year Ended December 31, 1987	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Income						
Loan Interest Income: Mortgage Loans	$470,179	$ 372,137	$353,313	$240,352	$384,934	$276,471
Notes Receivable Other Farm Credit Banks	294	4	40	336	274	5
Sales Contracts (Net)	11,586	0	1,165	0	0	41
Penalty and Other Interest Income	8,444	4,436	17,019	1,679	4,346	3,306
Total Interest Income from Loans	490,503	376,577	371,537	242,367	389,554	279,823
Income from Investments (Net)	28,333	28,806	25,284	30,780	27,506	13,668
Compensation Income—Participations Sold	0	0	0	0	0	0
Appraisal and Loan Service Fees	3	11	43	826	4,614	2
Financially Related Services	26	602	0	0	0	0
Other Operating Income	588	708	1,451	265	690	13
Gross Income	**519,453**	**406,704**	**398,315**	**274,238**	**422,364**	**293,506**
Expenses						
Notes and Bonds Expense: Cost of Bonds	509,339	374,133	327,653	216,246	342,508	266,921
Interest on Notes Payable	49,045	41,225	26,460	24,901	62,527	26,101
Interest on Future Payment Funds	0	7,819	0	6,374	0	4,891
Total Cost of Borrowed Funds	558,384	423,177	354,113	247,521	405,035	297,913
Compensation Expense—Participations Purchased	0	0	0	0	0	0
Operating Expense	59,176	40,668	35,665	21,728	23,669	23,927
Total Expenses	**617,560**	**463,845**	**389,778**	**269,249**	**428,704**	**321,840**
Net Gain (Loss) from Operations	**(98,107)**	**(57,141)**	**8,537**	**4,989**	**(6,340)**	**(28,334)**
Other Additions/Deductions:						
Profit (Loss)—Sale of Investments	0	0	0	0	0	(103)
Income (Expense)—Other	3,308	273	3,241	2,084	105	646
Net Profit (Loss)—Acquired Property	32,462	11,833	9,782	34	5,727	6,357
Provision for Losses—Acquired Property	(19,460)	(5,480)	(25,899)	(1,472)	(19,212)	(4,340)
Interest on Investments—Buildings/Premises	0	0	0	0	0	0
Income (Expense)—Loss Sharing	4,204	0	0	0	0	0
Income (Expense)—Capital Corp. Assessments	0	0	0	0	0	0
Other Gains (Losses)	(98)	(119)	372	1,070	(67)	411
Total Other Additions and Deductions	20,416	6,507	(12,504)	1,716	(13,447)	2,971
Net Gain (Loss) before Provision for Losses	(77,691)	(50,634)	(3,967)	6,705	(19,787)	(25,363)
Provision for Losses	(41,579)	58,965	(43,630)	(4,980)	33,695	25,027
Net Income (Loss)	**$(36,112)**	**$(109,599)**	**$ 39,663**	**$ 11,685**	**$(53,482)**	**$(50,390)**

Totals may not add due to rounding.

Table 26
District Federal Land Banks Nonperforming Loans, Chargeoffs and Financial Ratios

(Dollars in Millions)

As of December 31, 1987	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Nonperforming Loans	$25.1	$78.9	$509.3	$757.2	$682 2	$1,017.3
Formally Restructured	0.0	10.9	3.1	20.4	5.1	5.0
Other Restructured or Reduced Rate	0.0	1.2	0.0	0.0	0.0	0.0
Other High Risk	13.6	36.3	216.7	380.5	295.4	461 4
Nonaccrual	11.5	30.5	289.5	356.3	381.7	550.9
For the Year Ended December 31, 1987						
Net Loan Chargeoffs	$ 0.5	$ 0.4	$ (10.9)	$ 19.3	$ 37.7	$ 36.5
Selected Ratios						
Return on Assets	0.19%	(0.12%)	0.96%	3.81%	(4.73%)	0.73%
Return on Equity	2.04%	(1.38%)	15.00%	125.75%	(1,406.04%)	18.89%
Net Interest Margin	1.29%	0.54%	0.89%	1.05%	(3.26%)	0.15%
As of December 31, 1987						
Capital as a % of Assets	9.60%	8.70%	6.42%	3.45%	(0.32%)	3.93%
Debt-to-Capital (:1)	9.42	10.49	(12.09)	28.00	(314.51)	24.42

Components may not add to exact totals due to rounding.

Table 26 (continued)
District Federal Land Banks Nonperforming Loans, Chargeoffs and Financial Ratios

(Dollars in Millions)

As of December 31, 1987	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Nonperforming Loans	$2,359.4	$911.5	$503.9	$193.8	$641.7	$569.8
Formally Restructured	460.0	171.7	49.6	0.0	85.8	0.0
Other Restructured or Reduced Rate	0.0	0.9	7.5	0.0	0.1	22.4
Other High Risk	1,028.8	226.2	43.8	121.8	123.9	89.8
Nonaccrual	870.6	512.7	403.0	72.0	431.9	457.6
For the Year Ended December 31, 1987						
Net Loan Chargeoffs	$ 52.8	$ 81.9	$ 74.8	$ 3.0	$ 43.4	$ 65.2
Selected Ratios						
Return on Assets	1.80%	(0.43%)	3.24%	0.52%	(0.42%)	1.41%
Return on Equity	119.98%	(35.32%)	56.40%	9.41%	(10.36%)	133.74%
Net Interest Margin	0.31%	(0.15%)	2.91%	0.69%	0.28%	(0.16%)
As of December 31, 1987						
Capital as a % of Assets	1.68%	1.12%	6.16%	5.56%	3.96%	1.18%
Debt-to-Capital (:1)	58.48	88.62	15.24	16.97	24.24	83.41

Components may not add to exact totals due to rounding.

Table 27
Federal Land Bank Associations Combined Statement of Condition

(Dollars in Thousands)

As of December 31	1987	1986	Percent Change
Assets			
Cash	$ 20,069	$ 21,772	(7.82)
Investments: U.S. Government Securities (Par)	4	820	(99.51)
Government Supervised Institutions	103	338	(69.52)
Unamortized Premium or Discount (Net)	0	0	0.00
Federal Land Bank Obligations	192,937	178,952	7.81
Other (Par)	1,844	990	86.26
Total Investment in Securities	194,888	181,100	7.61
Investments in FLBs: Class B Stock	1,812,467	1,855,034	(2.29)
Class C Stock	0	19,562	(100.00)
Participation Certificates	83,156	82,527	0.76
Less: Impairment of Stock	641,045	0	100.00
Total Investment in FLBs	1,254,578	1,957,123	(35.97)
Investments in Farm Credit Institutions	89,005	0	100.00
Notes Receivable Farm Credit Banks and Other	4,027	4,681	(13.97)
Accounts Receivable	3,656	7,183	(49.10)
Accrued Interest Receivable—Other Farm Credit Banks	1,249	897	39.24
Land, Buildings, and Equipment	141,805	150,211	(6.00)
Less: Accumulated Depreciation	48,031	46,415	5.26
Net Land, Buildings, and Equipment	93,774	104,796	(10.88)
Prepaid Expenses and Other Assets	10,800	79,300	(85.88)
Total Assets	$1,672,046	$2,356,852	(29.12)
Liabilities and Net Worth			
Notes Payable	$ 6,519	$ 8,481	(23.13)
Accounts Payable	135,519	144,391	(6.14)
Accrued Interest Payable	0	7	(100.00)
Dividends Payable	10	16	(37.50)
Undistributed Collections and Trust Funds	11,738	12,613	(6.54)
Miscellaneous Trust Receipts	963	1,045	(12.53)
Other Liabilities	13,956	12,786	9.15
Total Liabilities	168,705	179,339	(5.92)
Allowance for Losses	58,874	73,762	(20.18)
Capital Stock Outstanding	1,862,744	2,144,944	(13.15)
Participation Certificates	83,153	96,008	(13.38)
Less: Impairment of Stock	690,599	5,788	11,859.43
Total Capital Stock	1,255,298	2,235,164	(43.90)
Earned Net Worth: Legal Reserve	46,238	(70,225)	165.84
Surplus Reserve	0	0	0.00
Earned Surplus	142,932	(77,418)	284.62
Total Earned Net Worth	189,170	(147,643)	228.12
Total Net Worth	1,444,468	2,087,521	(30.88)
Total Liabilities and Net Worth	$1,672,047	$2,340,622	(28.63)

Totals may not add due to rounding.

Table 28
Federal Land Bank Associations Statement of Condition by District

(Dollars in Thousands)

As of December 31, 1987	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Assets						
Cash	$ 246	$ 289	$ 235	$ 354	$ 210	$ 3,140
Investments: U.S. Government Securities (Par)	0	0	0	0	0	0
Government Supervised Institutions	3	0	0	0	0	0
Unamortized Premium or Discount (Net)	0	0	0	0	0	0
Federal Land Bank Obligations	4,119	70,153	8,139	0	0	0
Other (Par)	182	0	0	0	0	0
Total Investment in Securities	4,304	70,153	8,139	0	0	0
Investments in FLBs: Class B Stock	42,972	87,474	179,488	162,105	89,048	182,595
Class C Stock	0	0	0	0	0	0
Participation Certificates	4,300	9,752	21,818	4,413	5,561	2,787
Less: Impairment of Stock	0	0	0	65,664	92,995	40,506
Total Investment in FLBs	47,272	97,226	201,306	100,854	1,614	144,876
Investments in Farm Credit Institutions	11,328	0	18,279	0	0	0
Notes Receivable Farm Credit Banks and Other	34	89	199	229	165	333
Accounts Receivable	125	56	2	114	14	1,208
Accrued Interest Receivable—Other Farm Credit Banks	0	411	3	0	0	0
Land, Buildings, and Equipment	6,003	11,852	20,380	10,247	8,511	9,277
Less: Accumulated Depreciation	2,021	4,006	7,262	3,652	3,305	2,874
Net Land, Buildings, and Equipment	3,982	7,846	13,118	6,595	5,206	6,403
Prepaid Expenses and Other Assets	4	377	3,318	360	221	1,590
Total Assets	**$67,295**	**$176,447**	**$244,599**	**$108,506**	**$ 7,430**	**$157,550**
Liabilities and Net Worth						
Notes Payable	$ 0	$ 27	$ 280	$ 0	$ 5,568	$ 5
Accounts Payable	565	160	2,255	6,144	248	5,866
Accrued Interest Payable	0	0	0	0	0	0
Dividends Payable	0	10	0	0	0	0
Undistributed Collections and Trust Funds	0	48	0	0	0	3,063
Miscellaneous Trust Receipts	0	0	0	49	0	175
Other Liabilities	303	1,609	2,528	1,460	1	3,566
Total Liabilities	**868**	**1,854**	**5,063**	**7,653**	**5,817**	**12,675**
Allowance for Losses	0	16,241	0	0	0	0
Capital Stock Outstanding	42,972	87,470	179,488	162,105	89,048	182,595
Participation Certificates	4,300	9,756	21,818	4,406	5,561	2,787
Less: Impairment of Stock	0	0	0	65,657	92,995	40,506
Total Capital Stock	47,272	97,226	201,306	100,854	1,614	144,876
Earned Net Worth: Legal Reserve	2,899	8,303	5,743	0	0	0
Surplus Reserve	0	0	0	0	0	0
Earned Surplus	16,257	52,822	32,489	0	0	0
Total Earned Net Worth	19,156	61,125	38,232	0	0	0
Total Net Worth	**66,428**	**158,351**	**239,538**	**100,854**	**1,614**	**144,876**
Total Liabilities and Net Worth	**$67,296**	**$176,446**	**$244,601**	**$108,507**	**$ 7,431**	**$157,551**

Totals may not add due to rounding.

Table 28 (continued)
Federal Land Bank Associations Statement of Condition by District

(Dollars in Thousands)

As of December 31, 1987	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Assets						
Cash	$ 6,961	$ 3,418	$ 3,114	$ 1,740	$ 303	$ 57
Investments: U.S. Government Securities (Par)	0	0	0	4	0	0
Government Supervised Institutions	100	0	0	0	0	0
Unamortized Premium or Discount (Net)	0	0	0	0	0	0
Federal Land Bank Obligations	0	0	0	110,525	0	0
Other (Par)	77	0	0	1,584	0	0
Total Investment in Securities	177	0	0	112,113	0	0
Investments in FLBs: Class B Stock	265,210	189,866	185,418	121,953	163,343	142,996
Class C Stock	0	0	0	0	0	0
Participation Certificates	11,427	4,158	7,180	7,834	1,367	2,559
Less: Impairment of Stock	182,751	149,035	0	0	0	110,093
Total Investment in FLBs	93,886	44,989	192,598	129,787	164,710	35,462
Investments in Farm Credit Institutions	0	0	0	0	19,079	40,318
Notes Receivable Farm Credit Banks and Other	1,077	157	208	184	389	964
Accounts Receivable	1,845	198	76	17	101	126
Accrued Interest Receivable—Other Farm Credit Banks	9	0	0	823	0	1
Land, Buildings, and Equipment	20,452	23,747	0	8,413	9,827	13,095
Less: Accumulated Depreciation	6,516	7,613	0	3,341	2,965	4,477
Net Land, Buildings, and Equipment	13,936	16,134	0	5,072	6,862	8,618
Prepaid Expenses and Other Assets	1,540	180	503	416	154	2,138
Total Assets	**$119,431**	**$ 65,076**	**$196,499**	**$250,152**	**$191,598**	**$ 87,684**
Liabilities and Net Worth						
Notes Payable	$ 58	$ 10	$ 0	$ 0	$ 0	$ 571
Accounts Payable	21,108	16,288	79	6,022	29,766	50,241
Accrued Interest Payable	0	0	0	0	0	0
Dividends Payable	0	0	0	0	0	0
Undistributed Collections and Trust Funds	2,644	3,056	2,899	0	29	0
Miscellaneous Trust Receipts	606	6	18	40	67	2
Other Liabilities	1,131	727	906	291	26	1,409
Total Liabilities	**25,547**	**20,087**	**3,902**	**6,353**	**26,888**	**52,223**
Allowance for Losses	0	0	0	42,633	0	0
Capital Stock Outstanding	265,210	189,866	185,418	121,953	213,624	142,996
Participation Certificates	11,427	4,158	7,180	7,834	1,367	2,559
Less: Impairment of Stock	182,753	149,035	0	0	49,559	110,093
Total Capital Stock	93,884	44,989	192,598	129,787	165,432	35,462
Earned Net Worth: Legal Reserve	0	0	0	29,293	0	0
Surplus Reserve	0	0	0	0	0	0
Earned Surplus	0	0	0	42,086	(722)	0
Total Earned Net Worth	0	0	0	71,379	(722)	0
Total Net Worth	**93,884**	**44,989**	**192,598**	**201,166**	**164,710**	**35,462**
Total Liabilities and Net Worth	**$119,431**	**$ 65,076**	**$196,500**	**$250,152**	**$191,598**	**$ 87,685**

Totals may not add due to rounding.

Table 29
Federal Land Bank Associations Combined Statement of Income

(Dollars in Thousands)

For the Year Ended December 31	1987	1986	Percent Change
Income			
Applications and Loan Fees	$ 7,829	$ 15,173	(48 40)
Federal Land Bank Compensation	207,790	176,538	17.70
Dividend Interest	0	0	0.00
Interest Income from Notes Receivable and Investments	13,684	26,147	(47.66)
Financially Related Services	5,131	6,753	(24 01)
Other Operating Income	1,205	2,991	(59.71)
Gross Income	235,639	227,602	3.53
Expenses			
Directors' Expense	3,452	4,990	(30.82)
Salaries	129,483	115,726	11.88
Annual Leave	1,732	1,761	(1.64)
Employee Benefits	22,183	23,587	(5.95)
Purchased Services	8,791	7,246	21.32
Travel Expense	7,905	8,105	(2.46)
Cost of Space Occupied	13,212	12,880	2.57
Communications	8,116	7,658	5.98
Printing and Office Supplies	3,029	2,940	3.02
Furniture and Equipment Expense	5,994	5,773	3.82
Data Processing Service Center	656	661	(0.75)
Data Processing Services Purchased	4,197	4,218	(0 49)
Management Information Services	0	0	0.00
Advertising	1,833	2,142	(14.42)
Public and Member Relations	3,180	3,299	(3.60)
Training	1,585	1,215	30.45
Farmbank Services Expense	0	3	(100.00)
Abstracts, Record Reports, Filing, Etc.	642	754	(14.85)
Supervisory and Examination Expense	2,882	2,560	12.57
Other Expenses	2,864	77,036	(96.28)
Subtotal	221,736	282,554	(21.52)
Miscellaneous Expense Credits	3,666	2,754	33.11
Total Operating Expenses	218,070	279,800	(22.06)
Net Gain (Loss) from Operations	17,569	(52,198)	133.65
Other Additions and Deductions:			
Income (Expense)—Other	115	204	(43.62)
Gain (Loss)—Sale of Investment	27	244	(88.93)
Income (Expense)—Loss Sharing	(3,807)	2	(450.00)
Income (Expense)—Capital Corp. Assessment	(1,061)	(20)	5,205.00
Other Gains (Losses)	(254,035)	(410,346)	37.69
Net Profit (Loss)—Acquired Property	(854)	(1,510)	43.44
Total Other Additions and Deductions	(259,615)	(411,426)	36.50
Net Gain (Loss) before Provision for Losses	(242,046)	(463,624)	47.44
Adjustment—Provision for Losses	(10,311)	14,341	(171.89)
Net Income (Loss)	$(231,735)	$(477,965)	51 17

Totals may not add due to rounding.

Table 30
Federal Land Bank Associations Statement of Income by District

(Dollars in Thousands)

For the Year Ended December 31, 1987	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Income						
Applications and Loan Fees	$ 625	$ 2,303	$ 565	$ 140	$ 131	$ 26
Federal Land Bank Compensation	5,282	10,700	25,685	16,793	8,397	16,459
Dividend Interest	0	0	0	0	0	0
Interest Income from Notes Receivable and Investments	452	4,632	52	0	18	120
Financially Related Services	133	1,118	769	1	0	600
Other Operating Income	7	27	2	294	2	74
Gross Income	**6,499**	**18,780**	**27,073**	**17,228**	**8,548**	**17,279**
Expenses						
Directors' Expense	151	326	288	138	150	(239)
Salaries	3,658	7,866	15,281	9,553	5,555	10,178
Annual Leave	20	27	456	291	6	169
Employee Benefits	711	1,737	2,686	1,589	858	1,464
Purchased Services	92	119	434	532	115	68
Travel Expense	396	622	1,131	516	566	571
Cost of Space Occupied	244	810	1,591	1,174	614	1,445
Communications	206	460	937	819	445	651
Printing and Office Supplies	78	170	381	298	163	279
Furniture and Equipment Expense	171	254	803	267	197	428
Data Processing Service Center	0	204	0	80	0	163
Data Processing Services Purchased	284	40	617	81	1	23
Management Information Services	0	0	0	0	0	0
Advertising	88	164	319	300	37	201
Public and Member Relations	150	369	416	312	100	215
Training	67	104	280	141	29	157
Farmbank Services Expense	0	0	0	0	0	0
Abstracts, Record Reports, Filing, Etc.	12	13	40	60	2	31
Supervisory and Examination Expense	116	425	15	6	0	0
Other Expenses	116	126	410	238	37	159
Subtotal	6,560	13,836	26,085	16,395	8,875	15,963
Miscellaneous Expense Credits	8	2	19	0	0	0
Total Operating Expenses	**6,552**	**13,834**	**26,066**	**16,395**	**8,875**	**15,963**
Net Gain (Loss) from Operations	**(53)**	**4,946**	**1,007**	**833**	**(327)**	**1,316**
Other Additions and Deductions:						
Income (Expense)—Other	1	64	39	(1)	7	9
Gain (Loss)—Sale of Investments	0	0	0	0	0	0
Income (Expense)—Loss Sharing	0	0	0	0	0	0
Income (Expense)—Capital Corp. Assessment	0	0	0	0	0	0
Other Gains (Losses)	481	29	107	(40,903)	(36,003)	3,843
Net Profit (Loss)—Acquired Property	0	46	0	0	0	0
Total Other Additions and Deductions	482	139	146	(40,904)	(35,996)	3,852
Net Gain (Loss) before Provision for Losses	429	5,085	1,153	(40,071)	(36,323)	5,168
Adjustment—Provision for Losses	0	(5,458)	3	0	0	0
Net Income (Loss)	**$ 429**	**$10,543**	**$ 1,150**	**$(40,071)**	**$(36,323)**	**$ 5,168**

Totals may not add due to rounding.

Table 30 (continued)
Federal Land Bank Associations Statement of Income by District

(Dollars in Thousands)

For the Year Ended December 31, 1987	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Income						
Applications and Loan Fees	$ 1,908	$ 180	$ 101	$ 355	$ 343	$ 1,151
Federal Land Bank Compensation	45,867	29,635	16,175	9,041	10,171	13,584
Dividend Interest	0	0	0	0	0	0
Interest Income from Notes Receivable and Investments	312	23	30	7,898	39	108
Financially Related Services	1,656	0	3	262	378	207
Other Operating Income	234	4	521	8	26	5
Gross Income	**49,977**	**29,842**	**16,830**	**17,564**	**10,957**	**15,055**
Expenses						
Directors' Expense	610	390	374	531	427	306
Salaries	27,590	16,890	10,200	5,903	6,914	9,894
Annual Leave	121	0	153	61	0	425
Employee Benefits	3,552	3,793	1,306	1,204	1,245	2,039
Purchased Services	1,996	3,691	197	1,284	149	111
Travel Expense	1,385	687	572	475	435	546
Cost of Space Occupied	2,385	1,827	952	612	805	750
Communications	1,647	944	875	362	371	397
Printing and Office Supplies	772	254	303	83	102	148
Furniture and Equipment Expense	1,242	1,180	822	183	222	225
Data Processing Service Center	212	0	0	0	0	0
Data Processing Services Purchased	1,175	1,261	1	0	39	675
Management Information Services	0	0	0	0	0	0
Advertising	158	85	126	247	29	79
Public and Member Relations	558	209	209	198	228	216
Training	266	76	96	62	34	276
Farmbank Services Expense	0	0	0	0	0	0
Abstracts, Record Reports, Filing, Etc.	171	186	38	17	10	63
Supervisory and Examination Expense	1,380	942	0	0	0	0
Other Expenses	642	317	359	26	308	126
Subtotal	45,862	32,732	16,583	11,248	11,318	16,276
Miscellaneous Expense Credits	2	2,962	209	461	5	0
Total Operating Expenses	**45,860**	**29,770**	**16,374**	**10,787**	**11,313**	**16,276**
Net Gain (Loss) from Operations	**4,117**	**72**	**456**	**6,777**	**(356)**	**(1,221)**
Other Additions and Deductions:						
Income (Expense)—Other	18	30	0	2	0	(52)
Gain (Loss)—Sale of Investments	27	0	0	0	1	0
Income (Expense)—Loss Sharing	(3,807)	0	0	0	0	0
Income (Expense)—Capital Corp. Assessment	0	0	0	0	(1,061)	0
Other Gains (Losses)	(36,341)	(106,758)	11,330	55	(51,152)	1,279
Net Profit (Loss)—Acquired Property	(112)	0	0	(784)	0	(3)
Total Other Additions and Deductions	(40,215)	(106,728)	11,330	(727)	(52,212)	1,224
Net Gain (Loss) before Provision for Losses	(36,098)	(106,656)	11,786	6,050	(52,568)	3
Adjustment—Provision for Losses	0	0	0	(4,857)	0	0
Net Income (Loss)	**$(36,098)**	**$(160,656)**	**$11,786**	**$10,907**	**$(52,568)**	**$ 3**

Totals may not add due to rounding.

Table 31
District Federal Land Bank Associations Nonperforming Loans, Chargeoffs and Financial Ratios

(Dollars in Millions)

As of December 31, 1987	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Nonperforming Loans	N/A	N/A	N/A	N/A	N/A	N/A
Formally Restructured	N/A	N/A	N/A	N/A	N/A	N/A
Other Restructured or Reduced Rate	N/A	N/A	N/A	N/A	N/A	N/A
Other High Risk	N/A	N/A	N/A	N/A	N/A	N/A
Nonaccrual	N/A	N/A	N/A	N/A	N/A	N/A
For the Year Ended December 31, 1987						
Net Loan Chargeoffs	$0.0	$(0.2)	$0.0	$0.0	$0.0	$0.0
Selected Ratios						
Return on Assets	0.63%	6.04%	0.45%	(31.14%)	(122.31%)	3.14%
Return on Equity	0.64%	6.89%	0.46%	(33.49%)	(156.38%)	3.39%
Net Interest Margin	N/A	N/A	N/A	N/A	N/A	N/A
As of December 31, 1987						
Capital as a % of Assets	96.70%	87.96%	92.09%	59.16%	37.53%	80.90%
Debt-to-Capital (:1)	1.37	14.04	1.87	7.55	27.86	7.78

Components may not add to exact totals due to rounding.
N/A Not applicable.

Table 31 (continued)
District Federal Land Bank Associations Nonperforming Loans, Chargeoffs and Financial Ratios

(Dollars in Millions)

As of December 31, 1987	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Nonperforming Loans	N/A	N/A	N/A	N/A	N/A	N/A
Formally Restructured	N/A	N/A	N/A	N/A	N/A	N/A
Other Restructured or Reduced Rate	N/A	N/A	N/A	N/A	N/A	N/A
Other High Risk	N/A	N/A	N/A	N/A	N/A	N/A
Nonaccrual	N/A	N/A	N/A	N/A	N/A	N/A
For the Year Ended Decembr 31, 1987						
Net Loan Chargeoffs	$0.0	$0.0	$0.0	$(3.7)	$0.0	$0.0
Selected Ratios						
Return on Assets	(23.49%)	(89.34%)	5.79%	4.37%	(22.69%)	0.00%
Return on Equity	(29.42%)	(106.10%)	5.87%	5.54%	(25.89%)	0.00%
Net Interest Margin	N/A	N/A	N/A	N/A	N/A	N/A
As of December 31, 1987						
Capital as a % of Assets	57.39%	42.91%	86.75%	78.05%	75.62%	30.79%
Debt-to-Capital (:1)	25.22	18.76	1.38	26.95	14.13	77.49

Components may not add to exact totals due to rounding.
N/A Not applicable.

Table 32
Federal Intermediate Credit Banks Combined Statement of Condition

(Dollars in Thousands)

As of December 31	1987	1986	Percent Change
Assets			
Loans and Discounts: PCAs	$ 8,518,793	$10,212,202	(16.58)
Other Financial Institutions	207,027	275,034	(24.72)
Participation Loans—PCAs	84,807	36,382	133.10
Other Participations	3,652	3,402	7.34
Sales Contracts, Notes, Etc.	15,352	5,915	159.54
Farm Credit Leasing Services Corp.	18,614	0	100.00
Nonaccrual	145,634	172,327	(15.48)
Accrued Interest Receivable on Loans	165,119	220,462	(25.10)
Gross Loan and Discount Items	9,158,998	10,925,724	(16.17)
Less: Allowance for Losses	59,105	81,253	(27.25)
Less: Unapplied Loan Payments	18,312	27,187	(32.64)
Net Loan and Discount Items	9,081,581	10,817,284	(16.04)
Cash	42,391	86,722	(51.11)
Investments: U.S. Government Securities (Par)	270,445	130,395	107.40
Securities Government Supervised Institutions (Par)	24,700	49,700	(50.30)
Other Securities and Federal Funds	2,276,213	3,265,099	(30.28)
Investment in DBC Bankers Acceptances (Par)	0	0	0.00
Unamortized Premium or Discount (Net)	(5,877)	(8,677)	(32.26)
Unamortized Defer Gain/Loss Security Sales (Net)	58	153	(62.09)
Total Investment in Securities	2,565,539	3,436,670	(25.34)
Investments in PCAs: Paid in Surplus (Net)	0	(750)	(100.00)
Class A Stock	0	0	0.00
Class B Stock	0	0	0.00
Class D Stock	26,682	30,898	(13.64)
Less: Allowance for Losses on Investments	0	0	0.00
Total Investments in PCAs	26,682	30,148	(11.49)
Investments in Farm Credit Institutions	7,383	6,646	11.08
Notes Receivable Farm Credit Banks and Others	62,847	59,388	5.82
Accounts Receivable	28,155	12,212	130.55
Accrued Interest Receivable—Other Farm Credit Banks	467	422	10.66
Accrued Interest Receivable—Investments	23,323	16,063	45.19
Acquired Property	27,262	47,382	(42.46)
Less: Allowance for Losses	1,896	12,186	(84.44)
Less: Accumulated Depreciation	0	0	0.00
Net Acquired Property	25,366	35,196	(27.92)
Land, Buildings, and Equipment	69,623	71,962	(3.25)
Less: Accumulated Depreciation	21,934	18,914	15.96
Net Land, Buildings, and Equipment	47,689	53,048	(10.10)
Prepaid Expenses and Other Assets	45,486	17,738	156.43
Total Assets	**$11,956,909**	**$14,571,537**	**(17.94)**
Notes Payable: Other Farm Credit Banks	$ 25,796	$ 33,156	(22.19)
Consolidated Systemwide Notes	2,936,433	3,632,406	(19.16)
Commercial Banks and Other	733,171	381,578	92.14
Securities Sold Under Agreement to Repurchase	12,000	25,000	(52.00)
Total Notes Payable	3,707,400	4,072,140	(8.95)
Accounts Payable	46,306	183,424	(74.75)
Accrued Interest Payable	139,766	191,589	(27.04)
Unmatured Consolidated and Systemwide Bonds	6,138,109	8,222,967	(25.35)
Less: Unamortized Discounts and Premiums	(2,953)	(1,597)	84.90
Less: Consolidated Bonds Owned	88,092	88,239	(0.16)
Net Consolidated and Systemwide Bonds Outstanding	6,052,970	8,136,325	(25.60)
Unmatured Farm Credit Investment Bonds Outstanding	27,046	25,831	4.70
Matured Farm Credit Investment Bonds Outstanding	0	3	(100.00)
Other Liabilities	98,068	138,705	(29.29)
Total Liabilities	**10,071,556**	**12,748,017**	**(20.99)**
Capital Stock: Class B Stock—PCAs	1,334,428	1,332,064	0.17
Participation Certificates	33,122	41,569	(20.32)
Less: Impairment of Stock	0	0	0.00
Total Capital Stock	1,367,550	1,373,633	(0.44)
Earned Net Worth: Surplus Reserved	63,067	63,067	0.00
Surplus Unallocated	22,459	22,459	0.00
Legal Reserve	371,174	345,808	7.33
Reserve for Contingencies—Unallocated	58,404	18,555	214.76
Undistributed Earnings	2,697	0	100.00
Total Earned Net Worth	517,801	449,889	15.09
Total Net Worth	**1,885,351**	**1,823,522**	**3.39**
Total Liabilities and Net Worth	**$11,956,907**	**$14,571,539**	**(17.94)**

Totals may not add due to rounding.

Table 33
Federal Intermediate Credit Banks Statement of Condition by District

(Dollars in Thousands)

As of December 31, 1987	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Assets						
Loans and Discounts: PCAs	$527,691	$615,541	$733,747	$773,211	$344,754	$417,229
Other Financial Institutions	0	0	107	0	43,671	7,215
Participation Loans—PCAs	0	34,049	18,590	0	0	0
Other Participations	0	0	0	0	448	0
Sales Contracts, Notes, Etc.	0	57	2,679	0	2,931	0
Farm Credit Leasing Services Corp.	0	2,710	0	3,000	0	2,000
Nonaccrual	469	528	16,204	1,556	6,295	949
Accrued Interest Receivable on Loans	0	4,493	5,022	37,634	8,144	10,093
Gross Loan and Discount Items	528,160	657,378	776,349	815,401	406,243	437,486
Less: Allowance for Losses	110	520	5,488	5,236	1,954	5,425
Less: Unapplied Loan Payments	0	0	0	0	0	0
Net Loan and Discount Items	528,050	656,858	770,861	810,165	404,289	432,061
Cash	3,353	0	106	723	823	6,202
Investments: U.S. Government Securities (Par)	0	1,470	0	13,000	0	19,050
Securities Government Supervised Institutions (Par)	0	0	5,600	0	0	100
Other Securities and Federal Funds	97,000	53,513	128,820	70,739	124,897	124,946
Investment in DBC Bankers Acceptances (Par)	0	0	0	0	0	0
Unamortized Premium or Discount (Net)	0	(3)	(11)	(222)	(12)	154
Unamortized Defer Gain/Loss Security Sales (Net)	0	0	58	0	0	0
Total Investment in Securities	97,000	54,980	134,467	83,517	124,885	144,250
Investments in PCAs: Paid in Surplus (Net)	0	0	0	0	0	0
Class A Stock	0	0	0	0	0	0
Class B Stock	0	0	0	0	0	0
Class D Stock	0	0	4,223	0	10,589	3,500
Less: Allowance for Losses on Investments	0	0	0	0	0	0
Total Investments in PCAs	0	0	4,223	0	10,589	3,500
Investments in Farm Credit Institutions	170	430	2,762	501	154	495
Notes Receivable Farm Credit Banks and Others	0	85	0	0	0	0
Accounts Receivable	209	18,283	311	1,266	568	198
Accrued Interest Receivable—Other Farm Credit Banks	0	11	0	0	0	0
Accrued Interest Receivable—Investments	1,402	301	1,448	489	1,920	854
Acquired Property	155	180	1,383	513	5,141	254
Less: Allowance for Losses	8	9	273	26	368	2
Less: Accumulated Depreciation	0	0	0	0	0	0
Net Acquired Property	147	171	1,110	487	4,773	252
Land, Buildings, and Equipment	4,229	0	0	4,861	8,163	11,258
Less: Accumulated Depreciation	482	0	0	1,015	1,665	4,298
Net Land, Buildings, and Equipment	3,747	0	0	3,846	6,498	6,960
Prepaid Expenses and Other Assets	284	440	1,513	1,898	27,497	948
Total Assets	**$634,362**	**$731,559**	**$916,801**	**$902,892**	**$581,996**	**$595,720**
Liabilities and Net Worth						
Notes Payable: Other Farm Credit Banks	$ 412	$ 0	$ 0	$ 8,000	$ 0	$ 0
Consolidated Systemwide Notes	213,306	273,054	0	61,811	113,263	165,603
Commercial Banks and Other	0	18,087	26,144	24,500	18,802	28,538
Securities Sold Under Agreement to Repurchase	0	0	0	12,000	0	0
Total Notes Payable	213,718	291,141	26,144	106,311	132,065	194,141
Accounts Payable	2,227	2,797	4,214	3,484	665	2,334
Accrued Interest Payable	7,022	7,671	11,092	15,031	7,417	5,560
Unmatured Consolidated and Systemwide Bonds	341,000	318,500	653,250	508,555	343,230	247,500
Less: Unamortized Discounts and Premiums	(42)	(174)	0	(473)	0	(108)
Less: Consolidated Bonds Owned	0	0	38,000	0	0	0
Net Consolidated & Systemwide Bonds Outstanding	341,042	318,674	615,250	509,028	343,230	247,608
Unmatured Farm Credit Investment Bonds Outstanding	0	26,704	0	0	0	0
Matured Farm Credit Investment Bonds Outstanding	0	0	0	0	0	0
Other Liabilities	9,976	6,106	547	79	132	402
Total Liabilities	**573,985**	**653,093**	**657,247**	**633,933**	**483,509**	**450,045**
Capital Stock: Class B Stock—PCAs	42,209	52,088	180,693	185,051	68,357	103,802
Participation Certificates	0	0	119	1	5,885	638
Less: Impairment of Stock	0	0	0	0	0	0
Total Capital Stock	42,209	52,088	180,812	185,052	74,242	104,440
Earned Net Worth: Surplus Reserved	4,593	4,177	3,701	5,273	4,105	4,819
Surplus Unallocated	367	431	2,092	3,153	32	1,274
Legal Reserve	13,208	18,546	69,481	61,645	20,108	34,718
Reserve for Contingencies—Unallocated	0	3,225	3,465	13,833	0	423
Undistributed Earnings	0	0	0	0	0	0
Total Earned Net Worth	18,168	26,379	78,739	83,904	24,245	41,234
Total Net Worth	**60,377**	**78,467**	**259,551**	**268,956**	**98,487**	**145,674**
Total Liabilities and Net Worth	**$634,362**	**$731,560**	**$916,798**	**$902,889**	**$581,996**	**$595,719**

Totals may not add due to rounding.

Table 33 (continued)
Federal Intermediate Credit Banks Statement of Condition by District

(Dollars in Thousands)

As of December 31, 1987	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Assets						
Loans and Discounts: PCAs	$1,497,615	$482,263	$455,697	$ 613,787	$1,719,558	$337,702
Other Financial Institutions	12,635	247	38,804	60,232	42,308	1,808
Participation Loans—PCAs	0	0	0	10,016	22,153	0
Other Participations	0	0	0	0	0	3,204
Sales Contracts, Notes, Etc.	68	528	0	2,425	6,575	89
Farm Credit Leasing Services Corp.	10,904	0	0	0	0	0
Nonaccrual	4,654	13,801	891	89,763	2,003	8,520
Accrued Interest Receivable on Loans	34,487	4,015	3,441	5,544	49,538	2,708
Gross Loan and Discount Items	1,560,363	500,854	498,833	781,767	1,842,135	354,031
Less: Allowance for Losses	2,545	5,600	15,823	12,492	1,270	2,643
Less: Unapplied Loan Payments	11,061	7,137	0	51	0	63
Net Loan and Discount Items	1,546,757	488,117	483,010	769,224	1,840,865	351,325
Cash	11,872	8,412	1,321	317	5,886	3,378
Investments: U.S. Government Securities (Par)	218,000	3,925	15,000	0	0	0
Securities Government Supervised Institutions (Par)	0	0	0	0	0	19,000
Other Securities and Federal Funds	345,133	103,403	90,735	544,080	517,881	75,066
Investment in DBC Bankers Acceptances (Par)	0	0	0	0	0	0
Unamortized Premium or Discount (Net)	(5,295)	55	4	(125)	0	(421)
Unamortized Defer Gain/Loss Security Sales (Net)	0	0	0	0	0	0
Total Investment in Securities	557,838	107,383	105,793	543,955	517,881	93,645
Investments in PCAs: Paid in Surplus (Net)	0	0	0	0	0	0
Class A Stock	0	0	0	0	0	0
Class B Stock	0	0	0	0	0	0
Class D Stock	0	0	3,600	770	0	4,000
Less: Allowance for Losses on Investments	0	0	0	0	0	0
Total Investments in PCAs	0	0	3,600	770	0	4,000
Investments in Farm Credit Institutions	822	203	441	653	195	558
Notes Receivable Farm Credit Banks and Others	28,149	16,672	12,611	5,330	0	0
Accounts Receivable	1,596	2,219	1,334	339	1,524	382
Accrued Interest Receivable—Other Farm Credit Banks	29	343	74	10	0	0
Accrued Interest Receivable—Investments	3,983	1,312	943	4,256	6,072	346
Acquired Property	782	2,480	294	6,063	9,979	38
Less: Allowance for Losses	40	308	17	258	587	0
Less: Accumulated Depreciation	0	0	0	0	0	0
Net Acquired Property	742	2,172	277	5,805	9,392	38
Land, Buildings, and Equipment	15,067	2,285	4,936	11,777	6,077	969
Less: Accumulated Depreciation	5,940	1,448	2,339	1,993	2,460	296
Net Land, Buildings, and Equipment	9,127	837	2,597	9,784	3,617	673
Prepaid Expenses and Other Assets	2,764	3,135	1,205	2,244	2,535	1,023
Total Assets	**$2,163,679**	**$630,805**	**$613,152**	**$1,342,687**	**$2,387,967**	**$455,368**
Liabilities and Net Worth						
Notes Payable: Other Farm Credit Banks	$ 1,717	$ 0	$ 0	$ 0	$ 15,000	$ 667
Consolidated Systemwide Notes	247,622	102,708	134,973	496,699	980,642	146,753
Commercial Banks and Other	322,837	100,344	27,624	68,156	76,902	21,236
Securities Sold Under Agreement to Repurchase	0	0	0	0	0	0
Total Notes Payable	572,176	203,052	162,597	564,855	1,072,544	168,656
Accounts Payable	6,706	18,445	765	986	2,077	1,679
Accrued Interest Payable	29,826	6,195	7,543	10,330	27,671	4,408
Unmatured Consolidated and Systemwide Bonds	1,235,220	285,983	286,089	654,932	1,071,220	193,630
Less: Unamortized Discounts and Premiums	(104)	18	(1,202)	(296)	(573)	0
Less: Consolidated Bonds Owned	92	50,000	0	0	0	0
Net Consolidated & Systemwide Bonds Outstanding	1,235,232	235,965	287,291	654,228	1,071,793	193,630
Unmatured Farm Credit Investment Bonds Outstanding	5	337	0	0	0	0
Matured Farm Credit Investment Bonds Outstanding	0	0	0	0	0	0
Other Liabilities	67,656	771	1,581	4,005	6,430	383
Total Liabilities	**1,911,601**	**464,765**	**459,777**	**1,234,404**	**2,180,515**	**368,756**
Capital Stock: Class B Stock—PCAs	201,574	135,681	97,226	58,540	147,698	61,511
Participation Certificates	2,883	2,366	5,374	6,997	4,213	4,646
Less: Impairment of Stock	0	0	0	0	0	0
Total Capital Stock	204,457	138,047	102,600	65,537	151,911	66,157
Earned Net Worth: Surplus Reserved	7,049	6,069	5,257	7,593	4,541	5,890
Surplus Unallocated	1,818	1,244	1,507	9,720	0	821
Legal Reserve	38,753	0	37,007	22,136	50,087	5,484
Reserve for Contingencies—Unallocated	0	20,681	7,001	3,298	915	5,564
Undistributed Earnings	0	0	0	0	0	2,697
Total Earned Net Worth	47,620	27,994	50,772	42,747	55,543	20,456
Total Net Worth	**252,077**	**166,041**	**153,372**	**108,284**	**207,454**	**86,613**
Total Liabilities and Net Worth	**$2,163,678**	**$630,806**	**$613,149**	**$1,342,688**	**$2,387,969**	**$445,369**

Totals may not add due to rounding.

Table 34
Federal Intermediate Credit Banks Combined Statement of Income

(Dollars in Thousands)

For the Year Ended December 31	1987	1986	Percent Change
Income			
Loan Interest Income: Loans and Discounts	$801,331	$1,173,570	(31.71)
Sales Contracts	997	392	154.33
Notes Receivable Other Farm Credit Banks	2,993	5,087	(41.16)
Other Interest Income	984	405	142.96
Total Interest Income from Loans	806,305	1,179,454	(31.63)
Income from Investments (Net)	181,571	140,764	28.98
Other Operating Income	2,984	3,630	(17.79)
Gross Income	**990,860**	**1,323,848**	**(25.15)**
Notes and Bonds Expense: Cost of Bonds	560,621	816,559	(31.34)
Interest on Notes Payable	249,891	221,721	12.70
Total Cost of Borrowed Funds	810,512	1,038,280	(21.93)
Compensation Expense—Participations Purchased	153	394	(61.16)
Operating Expense	99,624	102,509	(2.81)
Total Expenses	**910,289**	**1,141,183**	**(20.23)**
Net Gain (Loss) from Operations	**80,571**	**182,665**	**(55.89)**
Other Additions/Deductions:			
Profit (Loss)—Sale of Investment	4	1,222	(99.67)
Income (Expense)—Other	388	99	291.91
Net Profit (Loss)—Acquired Property	4,089	(314)	1,402.22
Provision for Losses—Acquired Property	(5,130)	(6,908)	(25.73)
Income (Expense)—Loss Sharing	(44)	(23,722)	99.81
Income (Expense)—Capital Corp. Assessments	0	0	0.00
Other Gains (Losses)	(4,978)	(156,545)	96.82
Total Other Additions and Deductions	(5,671)	(186,168)	96.95
Net Gain (Loss) before Provision for Losses	74,900	(3,503)	2,238.16
Provision for Losses on Loans	(14,416)	(15,591)	(7.53)
Net Income (Loss)	**$ 89,316**	**$12,088**	**638.88**

Totals may not add due to rounding.

Table 35
Federal Intermediate Credit Banks Statement of Income by District

(Dollars in Thousands)

For the Year Ended December 31, 1987	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Income						
Loan Interest Income: Loans and Discounts	$39,469	$51,540	$67,370	$65,801	$34,955	$43,018
Sales Contracts	0	43	260	0	181	0
Notes Receivable Other Farm Credit Banks	19	132	0	4	86	1
Other Interest Income	0	0	0	0	0	0
Total Interest Income from Loans	39,488	51,715	67,630	65,805	35,222	43,019
Income from Investments (Net)	8,316	7,048	12,915	7,220	5,367	11,032
Other Operating Income	69	90	180	633	105	139
Gross Income	**47,873**	**58,853**	**80,725**	**73,658**	**40,694**	**54,190**
Notes and Bonds Expense: Cost of Bonds	28,056	32,042	59,197	50,551	28,929	29,071
Interest on Notes Payable	12,402	17,027	5,608	6,166	7,460	13,123
Total Cost of Borrowed Funds	40,458	49,069	64,805	56,717	36,389	42,194
Compensation Expense—Participations Purchased	0	0	0	0	0	0
Operating Expense	6,329	5,990	6,868	7,112	5,029	11,002
Total Expenses	**46,787**	**55,059**	**71,673**	**63,829**	**41,418**	**53,196**
Net Gain (Loss) from Operations	**1,086**	**3,794**	**9,052**	**9,829**	**(724)**	**994**
Other Additions/Deductions:						
Profit (Loss)—Sale of Investments	0	0	0	0	0	0
Income (Expense)—Other	0	0	0	0	200	0
Net Profit (Loss)—Acquired Property	68	90	(216)	263	830	156
Provision for Losses—Acquired Property	0	(12)	214	1	(880)	(17)
Income (Expense)—Loss Sharing	0	0	0	(44)	0	0
Income (Expense)—Capital Corp. Assessments	0	0	0	0	0	0
Other Gains (Losses)	33	15	61	(394)	4	0
Total Other Additions and Deductions	101	93	59	(174)	154	139
Net Gain (Loss) before Provision for Losses	1,187	3,887	9,111	9,655	(570)	1,133
Provision for Losses on Loans	0	(307)	(1,588)	(45)	(1,358)	6
Net Income (Loss)	**$ 1,187**	**$ 4,194**	**$10,699**	**$ 9,700**	**$ 788**	**$ 1,127**

Totals may not add due to rounding.

Table 35 (continued)
Federal Intermediate Credit Banks Statement of Income by District

(Dollars in Thousands)

For the Year Ended December 31, 1987	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Income						
Loan Interest Income: Loans and Discounts	$143,268	$54,751	$42,902	$59,355	$161,908	$36,995
Sales Contracts	3	41	0	225	231	15
Notes Receivable Other Farm Credit Banks	1,270	928	4	309	233	7
Other Interest Income	0	69	916	0	(1)	0
Total Interest Income from Loans	144,541	55,789	43,822	59,889	162,371	37,017
Income from Investments (Net)	33,396	8,795	5,969	32,203	39,949	9,362
Other Operating Income	415	6	387	479	435	47
Gross Income	**178,352**	**64,590**	**50,178**	**92,571**	**202,755**	**46,426**
Notes and Bonds Expense: Cost of Bonds	114,307	27,193	25,167	47,910	95,120	23,076
Interest on Notes Payable	37,907	15,580	11,263	30,044	80,475	12,837
Total Cost of Borrowed Funds	152,214	42,773	36,430	77,954	175,595	35,913
Compensation Expense—Participations Purchased	0	0	0	0	0	153
Operating Expense	11,284	8,788	10,017	8,946	11,643	6,618
Total Expenses	**163,498**	**51,561**	**46,447**	**86,900**	**187,238**	**42,684**
Net Gain (Loss) from Operations	**14,854**	**13,029**	**3,731**	**5,671**	**15,517**	**3,742**
Other Additions/Deductions:						
Profit (Loss)—Sale of Investments	0	4	0	0	0	0
Income (Expense)—Other	0	10	0	190	(6)	(7)
Net Profit (Loss)—Acquired Property	400	595	151	523	1,213	20
Provision for Losses—Acquired Property	(53)	1,157	(22)	(233)	(5,283)	0
Income (Expense)—Loss Sharing	0	0	0	0	0	0
Income (Expense)—Capital Corp. Assessments	0	0	0	0	0	0
Other Gains (Losses)	(859)	35	127	(4,057)	19	38
Total Other Additions and Deductions	(512)	1,801	256	(3,577)	(4,057)	51
Net Gain (Loss) before Provision for Losses	14,342	14,830	3,987	2,094	11,460	3,793
Provision for Losses on Loans	(1,670)	(5,124)	(8,402)	(2,305)	7,977	(1,600)
Net Income (Loss)	**$ 16,012**	**$19,954**	**$12,389**	**$ 4,399**	**$ 3,483**	**$ 5,393**

Totals may not add due to rounding.

Table 36
District Federal Intermediate Credit Banks Nonperforming Loans, Chargeoffs and Financial Ratios

(Dollars in Millions)

As of December 31, 1987	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Nonperforming Loans	$0.5	$0.6	$754.8	$733.9	$ 6.3	$488.6
Formally Restructured	0.0	0.1	0.0	0.0	0.0	0.0
Other Restructured or Reduced Rate	0.0	0.0	0.0	0.0	0.0	1.4
Other High Risk	0.0	0.0	738.6	732.3	0.0	486.2
Nonaccrual	0.5	0.5	16.2	1.6	6.3	1.0
For the Year Ended December 31, 1987						
Net Loan Chargeoffs	$0.1	$0.1	$ 0.7	$ 0.2	$(0.7)	$ 0.1
Selected Ratios						
Return on Assets	0.01%	0.56%	1.12%	0.99%	0.13%	0.17%
Return on Equity	0.10%	5.38%	4.15%	3.62%	0.80%	0.77%
Net Interest Margin	1.17%	1.33%	1.70%	1.73%	0.78%	1.87%
As of December 31, 1987						
Capital as a % of Assets	9.52%	10.73%	28.31%	29.79%	16.92%	24.45%
Debt-to-Capital (:1)	9.51	8.32	2.53	2.36	4.91	3.09

Components may not add to exact totals due to rounding.

Table 36 (continued)
District Federal Intermediate Credit Banks Nonperforming Loans, Chargeoffs and Financial Ratios

(Dollars in Millions)

As of December 31, 1987	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Nonperforming Loans	$0.0	$1,296.4	$198.5	$221.0	$1,205.3	$350.4
Formally Restructured	0.0	464.4	0.0	0.0	469.5	0.0
Other Restructured or Reduced Rate	0.0	0.0	0.0	0.0	0.0	0.0
Other High Risk	0.0	818.2	197.6	131.2	733.8	341.9
Nonaccrual	4.7	13.8	0.9	89.8	2.0	8.5
For the Year Ended December 31, 1987						
Net Loan Chargeoffs	$0.5	$ 0.6	$ 0.1	$ 0.1	$ 8.2	$ (1.1)
Selected Ratios						
Return on Assets	0.72%	3.00%	2.08%	0.34%	0.15%	1.02%
Return on Equity	6.39%	12.27%	8.07%	4.08%	1.68%	6.30%
Net Interest Margin	1.19%	3.46%	2.25%	1.18%	1.20%	2.06%
As of December 31, 1987						
Capital as a % of Assets	11.65%	26.32%	25.01%	8.06%	8.69%	19.02%
Debt-to-Capital (:1)	7.58	2.80	3.00	11.40	10.51	4.26

Components may not add to exact totals due to rounding.

Table 37
Production Credit Associations Combined Statement of Condition

(Dollars in Thousands)

As of December 31	1987	1986	Percent Change
Assets			
Loans: To Members (Net)	**$ 8,540,456**	$ 9,906,067	(13.78)
Lease Receivable	**21,105**	18,711	12.79
Sales, Contracts, Notes, Etc.	**115,782**	92,128	25.67
Nonaccrual Loans	**765,626**	1,017,428	(24.74)
Accounts Receivable—From Members	**4,881**	7,226	(32.45)
Accrued Interest Receivable on Loans	**209,405**	317,366	(34.01)
Gross Loan Items	**9,657,255**	11,358,926	(14.98)
Less: Allowance for Losses	**579,689**	685,174	(15.39)
Net Loan Items	**9,077,566**	10,673,752	(14.95)
Cash	**30,312**	52,100	(41.81)
Investments: U.S. Government Securities (Par)	**385**	54	612.96
Securities Government Supervised Institutions (Par)	**0**	0	0.00
Other Bonds and Securities (Par)	**742**	1,180	(37.11)
Investment in DBC Bankers Acceptances (Par)	**0**	0	0.00
Unamortized Premium or Discount (Net)	**2,791**	(1)	(9,200.00)
Total Investment in Securities	**3,918**	1,233	217.76
Investments in FICBs and PCAs:			
FICB Class B Stock (Par)	**1,334,532**	1,327,415	0.53
Equity in FICB Allocated to Legal Reserve	**364,518**	338,733	7.61
Participation Certificates—PCAs	**0**	0	0.00
Less: Allowance for Loss on Investments	**0**	0	0.00
Total Investment in FICBs and PCAs	**1,699,050**	1,666,148	1.97
Investments in Farm Credit Institutions	**27,727**	0	0.00
Soil, Water, and Farm Ownership Programs	**7**	1	600.00
Investment in Farmers' Notes to Cooperatives and Dealers	**4,149**	5,332	(22.18)
Notes Receivable from Farm Credit Banks and Other	**47,457**	38,941	21.86
Accounts Receivable—Other than Members	**17,354**	9,843	76.30
Accrued Interest Receivable—Other Farm Credit Banks	**2,011**	1,480	35.87
Accrued Interest Receivable—Investments	**275**	266	3.38
Acquired Property	**137,664**	201,033	(31.52)
Less: Allowance for Losses	**25,939**	56,642	(54.20)
Less: Accumulated Depreciation	**1,512**	1,798	(15.90)
Net Acquired Property	**110,213**	142,593	(22.70)
Acquired Property—Operations	**40**	208	(80.76)
Less: Accumulated Depreciation	**0**	0	0.00
Net Acquired Property—Operations	**40**	208	(80.76)
Land, Buildings, and Equipment	**263,228**	289,826	(9.17)
Less: Accumulated Depreciation	**112,786**	111,785	0.89
Net Land, Buildings, and Equipment	**150,442**	178,041	(15.50)
Prepaid Expenses and Other Assets	**85,517**	129,711	(34.07)
Total Assets	**$11,256,038**	$12,899,649	(12.74)
Liabilities and Net Worth			
Drafts Outstanding	**$ 4,008**	$ 6,548	(38.79)
Notes Payable: Federal Intermediate Credit Banks	**8,520,660**	10,062,702	(15.32)
Other Notes Payable	**238,160**	129,378	84.08
Total Notes Payable	**8,758,820**	10,192,080	(14.06)
Accounts Payable	**30,875**	15,286	101.98
Accrued Interest Payable	**162,381**	218,568	(25.70)
Trust Accounts	**4,645**	4,139	12.22
Dividend and Patronage Distributions Payable	**207**	184	12.50
Loans Rediscounted with FICB	**90,107**	148,797	(39.44)
Provision for Federal and Other Income Taxes	**11,586**	3,300	251.09
Undistributed Dividends—Credit Life Insurance	**372**	291	27.83
Other Liabilities	**81,693**	55,851	46.26
Total Liabilities	**9,144,694**	10,645,044	(14.09)
Capital Stock: Class A Stock—FICBs	**0**	4	(100.00)
Class A Stock—Members	**18,894**	32,309	(41.52)
Class B Stock—Members	**932,930**	1,054,050	(11.49)
Class C Stock—U.S. Government	**0**	16,146	(100.00)
Class C Stock—Other	**0**	10,589	(100.00)
Class D Stock	**26,682**	20,309	31.38
Participation Certificates	**13,746**	17,446	(21.20)
Less: Impairment of Stock	**23,313**	0	100.00
Total Capital Stock	**968,939**	1,150,853	(15.80)
Earned Net Worth: Equity Reserve	**0**	0	0.00
Paid in Surplus—FICBs	**0**	0	0.00
Surplus Reserved	**1,131,397**	1,120,279	0.99
Surplus Allocated	**9,471**	5,998	57.90
Earnings Reserved for Stock Dividends	**5**	5	0.00
Earnings Reserved for Patronage Distribution	**0**	0	0.00
Undistributed Earnings	**1,530**	(22,518)	106.79
Total Earned Net Worth	**1,142,403**	1,103,764	3.50
Total Net Worth	**2,111,342**	2,254,617	(6.35)
Total Liabilities and Net Worth	**$11,256,036**	$12,899,661	(12.74)

Totals may not add due to rounding.

Table 38
Production Credit Associations Statement of Condition by District

(Dollars in Thousands)

As of December 31, 1987	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Assets						
Loans: To Members (Net)	$583,723	$691,797	$ 681,277	$ 700,926	$345,200	$455,964
Lease Receivable	0	423	0	0	0	2,009
Sales, Contracts, Notes, Etc.	1,814	926	2,059	9,276	3,240	4,268
Nonaccrual Loans	3,757	9,398	82,028	67,252	31,684	42,288
Accounts Receivable—From Members	18	77	373	273	116	273
Accrued Interest Receivable on Loans	5,789	11,659	17,632	16,913	8,940	15,834
Gross Loan Items	595,101	714,280	783,369	794,640	389,180	520,636
Less: Allowance for Losses	23,224	25,956	62,201	33,278	21,815	24,760
Net Loan Items	571,877	688,324	721,168	761,362	367,365	495,876
Cash	2,959	807	616	778	4,031	45
Investments: U.S. Government Securities (Par)	0	0	0	385	0	0
Securities Government Supervised Institutions (Par)	0	0	0	0	0	0
Other Bonds and Securities (Par)	47	0	0	0	0	0
Investment in DBC Bankers Acceptances (Par)	0	0	0	0	0	0
Unamortized Premium or Discount (Net)	0	0	0	(14)	0	0
Total Investment in Securities	47	0	0	371	0	0
Investments in FICBs and PCAs:						
FICB Class B Stock (Par)	42,209	52,088	180,693	185,155	68,357	103,802
Equity in FICB Allocated to Legal Reserve	13,208	18,546	69,436	61,645	19,546	34,596
Participation Certificates—PCAs	50	0	0	0	0	0
Less: Allowance for Loss on Investments	0	0	0	0	0	0
Total Investment in FICBs and PCAs	55,467	70,634	250,129	246,800	87,903	138,398
Investments in Farm Credit Institutions	0	0	0	27,479	248	0
Soil, Water, and Farm Ownership Programs	0	0	0	0	0	0
Investment in Farmers' Notes to Cooperatives and Dealers	265	1,578	1,491	164	651	0
Notes Receivable from Farm Credit Banks and Other	120	2,102	30,655	1,929	1,602	1,078
Accounts Receivable—Other than Members	815	269	2,561	3,002	544	191
Accrued Interest Receivable—Other Farm Credit Banks	0	341	1,067	26	5	68
Accrued Interest Receivable—Investments	35	89	65	5	58	0
Acquired Property	505	2,897	6,962	9,109	3,257	7,642
Less: Allowance for Losses	45	160	1,623	2,172	420	1,034
Less: Accumulated Depreciation	0	0	6	241	0	45
Net Acquired Property	460	2,737	5,333	6,696	2,837	6,563
Acquired Property—Operations	0	0	0	0	0	0
Less: Accumulated Depreciation	0	0	0	0	0	0
Net Acquired Property—Operations	0	0	0	0	0	0
Land, Buildings, and Equipment	6,891	11,849	26,637	30,037	10,015	23,415
Less: Accumulated Depreciation	3,220	4,148	11,080	12,379	5,616	10,975
Net Land, Buildings, and Equipment	3,671	7,701	15,557	17,658	4,399	12,440
Prepaid Expenses and Other Assets	1,369	3,024	2,206	1,264	858	1,592
Total Assets	**$637,085**	**$777,606**	**$1,030,848**	**$1,067,534**	**$470,501**	**$656,251**
Liabilities and Net Worth						
Drafts Outstanding	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,355
Notes Payable: Federal Intermediate Credit Banks	517,750	615,518	734,418	683,104	346,669	418,346
Other Notes Payable	9,940	324	1,645	450	0	892
Total Notes Payable	527,690	615,842	736,063	683,554	346,669	419,238
Accounts Payable	264	1,155	1,328	5,695	316	1,624
Accrued Interest Payable	0	4,153	4,953	37,637	7,281	10,017
Trust Accounts	90	0	1,403	41	0	227
Dividend and Patronage Distributions Payable	2	9	48	24	31	4
Loans Rediscounted with FICB	0	0	0	90,107	0	0
Provision for Federal and Other Income Taxes	2,239	2,302	0	578	59	273
Undistributed Dividends—Credit Life Insurance	0	0	0	0	0	0
Other Liabilities	959	1,678	2,324	3,352	389	13,312
Total Liabilities	**531,244**	**625,139**	**746,119**	**820,988**	**354,745**	**447,050**
Capital Stock: Class A Stock—FICBs	0	0	0	0	0	0
Class A Stock—Members	708	4,876	4,580	3,171	2,008	1,258
Class B Stock—Members	50,245	51,471	84,403	74,104	43,980	56,348
Class C Stock—U.S. Government	0	0	0	0	0	0
Class C Stock—Other	0	0	0	0	0	0
Class D Stock	0	0	4,223	0	10,589	3,500
Participation Certificates	669	890	5,316	678	461	256
Less: Impairment of Stock	0	0	0	0	0	0
Total Capital Stock	51,622	57,237	98,522	77,953	57,038	61,362
Earned Net Worth: Equity Reserve	0	0	0	0	0	0
Paid in Surplus—FICBs	0	0	0	0	0	0
Surplus Reserved	54,219	95,230	186,106	167,807	58,717	146,119
Surplus Allocated	0	0	99	749	0	1,721
Earnings Reserved for Stock Dividends	0	1	3	0	1	0
Earnings Reserved for Patronage Distribution	0	0	0	0	0	0
Undistributed Earnings	0	1	0	37	0	0
Total Earned Net Worth	54,219	95,232	186,208	168,593	58,718	147,840
Total Net Worth	**105,841**	**152,469**	**284,730**	**246,546**	**115,756**	**209,202**
Total Liabilities and Net Worth	**$637,085**	**$777,608**	**$1,030,849**	**$1,067,534**	**$470,501**	**$656,252**

Totals may not add due to rounding.

Table 38 (continued)
Production Credit Associations Statement of Condition by District

(Dollars in Thousands)

As of December 31, 1987	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Assets						
Loans: To Members (Net)	$1,595,397	$351,974	$431,848	$742,949	$1,664,227	$295,171
Lease Receivable	18,673	0	0	0	0	0
Sales, Contracts, Notes, Etc.	42,128	15,192	4,439	7,452	13,949	11,039
Nonaccrual Loans	136,668	58,123	48,837	39,993	173,235	72,362
Accounts Receivable—From Members	1,780	1,400	71	109	352	39
Accrued Interest Receivable on Loans	27,515	16,199	17,452	21,624	44,144	5,703
Gross Loan Items	1,822,161	442,888	502,647	812,127	1,895,907	384,314
Less: Allowance for Losses	144,830	54,614	39,608	35,708	78,915	34,781
Net Loan Items	1,677,331	388,274	463,039	776,419	1,816,992	349,553
Cash	2,886	4,979	7,435	2,570	2,205	1,001
Investments: U.S. Government Securities (Par)	0	0	0	0	0	0
Securities Government Supervised Institutions (Par)	0	0	0	0	0	0
Other Bonds and Securities (Par)	582	0	0	0	0	113
Investment in DBC Bankers Acceptances (Par)	0	0	0	0	0	0
Unamortized Premium or Discount (Net)	0	0	0	0	0	2,806
Total Investment in Securities	582	0	0	0	0	2,919
Investments in FICBs and PCAs:						
FICB Class B Stock (Par)	201,574	135,681	97,226	58,540	147,698	61,511
Equity in FICB Allocated to Legal Reserve	37,982	0	35,392	20,510	48,576	5,080
Participation Certificates—PCAs	0	0	0	1,700	0	0
Less: Allowance for Loss on Investments	0	0	0	0	0	0
Total Investment in FICBs and PCAs	239,556	135,681	132,618	80,750	196,274	66,591
Investments in Farm Credit Institutions	0	0	0	0	0	0
Soil, Water, and Farm Ownership Programs	0	0	0	0	0	7
Investment in Farmers' Notes to Cooperatives and Dealers	0	0	0	0	0	0
Notes Receivable from Farm Credit Banks and Other	2,633	0	4,037	847	920	1,535
Accounts Receivable—Other than Members	5,624	468	1,840	2,777	344	534
Accrued Interest Receivable—Other Farm Credit Banks	175	0	115	51	20	143
Accrued Interest Receivable—Investments	0	0	0	2	0	22
Acquired Property	35,805	15,015	10,343	16,409	21,652	8,068
Less: Allowance for Losses	7,465	4,525	2,216	2,383	1,423	2,473
Less: Accumulated Depreciation	806	3	43	0	0	367
Net Acquired Property	27,534	10,487	8,084	14,026	20,229	5,228
Acquired Property—Operations	0	0	0	0	40	0
Less: Accumulated Depreciation	0	0	0	0	0	0
Net Acquired Property—Operations	0	0	0	0	40	0
Land, Buildings, and Equipment	58,266	23,924	15,500	15,656	31,977	9,061
Less: Accumulated Depreciation	21,517	11,057	7,366	7,817	13,142	4,469
Net Land, Buildings, and Equipment	36,749	12,867	8,134	7,839	18,835	4,592
Prepaid Expenses and Other Assets	68,945	1,859	1,103	1,946	1,223	126
Total Assets	**$2,062,015**	**$554,615**	**$626,405**	**$887,227**	**$2,057,082**	**$432,231**
Liabilities and Net Worth						
Drafts Outstanding	$ 0	$ 0	$ 31	$ 1,622	$ 0	$ 0
Notes Payable: Federal Intermediate Credit Banks	1,481,148	496,143	455,679	662,568	1,719,453	389,865
Other Notes Payable	210,258	2,600	609	2,433	5,901	3,106
Total Notes Payable	1,691,406	498,743	456,288	665,001	1,725,354	392,971
Accounts Payable	5,198	3,287	1,162	868	4,157	7,435
Accrued Interest Payable	34,270	4,189	3,240	5,036	48,399	3,208
Trust Accounts	492	78	1,843	128	338	6
Dividend and Patronage Distributions Payable	0	0	3	87	0	0
Loans Rediscounted with FICB	0	0	0	0	0	0
Provision for Federal and Other Income Taxes	1,824	4	1,699	1,971	450	188
Undistributed Dividends—Credit Life Insurance	0	0	372	0	0	0
Other Liabilities	35,262	8,406	1,153	1,948	3,607	9,302
Total Liabilities	**1,768,452**	**514,707**	**465,791**	**676,661**	**1,782,305**	**413,110**
Capital Stock: Class A Stock—FICBs	0	0	0	0	0	0
Class A Stock—Members	11	238	656	1,041	15	332
Class B Stock—Members	174,554	42,856	42,155	85,835	184,552	42,427
Class C Stock—U.S. Government	0	0	0	0	0	0
Class C Stock—Others	0	0	0	0	0	0
Class D Stock	0	0	3,600	770	0	4,000
Participation Certificates	565	162	296	2,372	3,511	320
Less: Impairment of Stock	4,373	18,940	0	0	0	0
Total Capital Stock	170,757	24,316	46,707	90,018	188,078	47,079
Earned Net Worth: Equity Reserve	0	0	0	0	0	0
Paid in Surplus—FICBs	0	0	0	0	0	0
Surplus Reserved	117,240	15,591	113,404	119,005	86,701	(28,743)
Surplus Allocated	4,999	0	288	830	0	785
Earnings Reserved for Stock Dividends	0	0	0	0	0	0
Earnings Reserved for Patronage Distribution	0	0	0	0	0	0
Undistributed Earnings	566	0	215	712	0	0
Total Earned Net Worth	122,805	15,591	113,907	120,547	86,701	(27,958)
Total Net Worth	**293,562**	**39,907**	**160,614**	**210,565**	**274,779**	**19,121**
Total Liabilities and Net Worth	**$2,062,014**	**$554,614**	**$626,405**	**$887,226**	**$2,057,084**	**$432,231**

Totals may not add due to rounding.

Table 39
Production Credit Associations Combined Statement of Income

(Dollars in Thousands)

For the Year Ended December 31	1987	1986	Percent Change
Income			
Loan Interest Income: Loans	**$ 941,505**	$1,319,688	(28.65)
Sales Contracts	**10,409**	9,393	10.81
Notes Receivable	**6,140**	4,456	37.79
Total Interest Income from Loans	**958,054**	1,333,537	(28.15)
Income from Investments (Net)	**660**	2,452	(73.08)
Appraisal and Loan Service Fees	**8,102**	7,027	15.29
Financially Related Services	**25,011**	29,554	(15.37)
Compensation Income—Participations Sold	**0**	0	0.00
Other Operating Income	**5,565**	72,701	(92.34)
Dividends from FICBs	**0**	0	0.00
Gross Income	**997,392**	1,445,271	(30.98)
Expenses			
Interest Expense—Notes Payable, Etc.	**781,398**	1,149,667	(32.03)
Compensation Expense—Participations Purchased	**0**	80	(100.00)
Operating Expenses	**252,019**	301,518	(16.40)
Total Expenses	**1,033,417**	1,451,265	(28.79)
Net Gain (Loss) from Operations	**(36,025)**	(5,994)	(501.01)
Other Additions/Deductions:			
Profit (Loss)—Sale of Investments	**3**	(12)	(125.00)
Income (Expense)—Other	**47**	367	(87.19)
Cash Over or Short (Net)	**15**	(13)	215.38
Net Profit (Loss)—Acquired Property	**5,322**	(8,426)	163.16
Income (Expense)—Lease Equipment	**85**	45	88.88
Income (Expense)—Loss Sharing	**(458)**	0	(100.00)
Income (Expense)—Capital Corp. Assessments	**0**	0	0.00
Other Gains (Losses)	**25,973**	56,272	(53.84)
Total Other Additions and Deductions	**30,987**	48,233	(35.75)
Net Gain (Loss) before Provision for Losses	**(5,038)**	42,239	(111.92)
Provision for Losses	**70,507**	(351,872)	(120.03)
Net Gain (Loss) before Income Taxes	**65,469**	(309,633)	(121.14)
Less: Federal and Other Income Taxes	**9,524**	(5,797)	264.29
Net Income before Adjustment—Prior Years	**55,945**	(303,836)	118.41
Adjustment for Prior Years	**712**	5,696	(87.50)
Net Income (Loss)	**56,657**	(298,140)	119.00
Distribution of FICB Earnings	**44,339**	17,328	155.88
Final Net Income (Loss)	**$ 100,996**	$ (280,812)	135.96

Totals may not add due to rounding.

Table 40
Production Credit Associations Statement of Income by District

(Dollars in Thousands)

For the Year Ended December 31, 1987	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Income						
Loan Interest Income: Loans	$50,660	$65,162	$86,916	$ 79,046	$38,808	$54,000
Sales Contracts	180	89	260	1,275	315	385
Notes Receivable	15	348	3,154	226	756	59
Total Interest Income from Loans	50,858	65,599	90,330	80,547	39,879	54,444
Income from Investments (Net)	102	122	201	37	60	0
Appraisal and Loan Service Fees	163	94	2,885	605	1,191	9
Financially Related Services	3,296	468	1,727	3,390	542	1,346
Compensation Income—Participations Sold	0	0	0	0	0	0
Other Operating Income	30	58	29	596	88	76
Dividends from FICBs	0	0	0	0	0	0
Gross Income	**54,449**	**66,341**	**95,172**	**85,175**	**41,760**	**55,875**
Expenses						
Interest Expense—Notes Payable, Etc.	39,411	49,902	67,191	65,526	30,887	42,146
Compensation Expense—Participations Purchased	0	0	0	0	0	0
Operating Expenses	15,219	13,632	25,571	30,118	10,673	18,663
Total Expenses	**54,630**	**63,534**	**92,762**	**95,644**	**41,560**	**60,809**
Net Gain (Loss) from Operations	**(181)**	**2,807**	**2,410**	**(10,469)**	**200**	**(4,934)**
Other Additions/Deductions:						
Profit (Loss)—Sale of Investment	0	(3)	0	10	0	0
Income (Expense)—Other	3	87	14	(112)	13	(2)
Cash Over or Short (Net)	0	0	0	0	0	0
Net Profit (Loss)—Acquired Property	179	(54)	(293)	245	49	932
Income (Expense)—Lease Equipment	0	18	3	0	(1)	33
Income (Expense)—Loss Sharing	0	0	0	(487)	0	0
Income (Expense)—Capital Corp. Assessments	0	0	0	0	0	0
Other Gains (Losses)	140	43	57	1,661	474	(905)
Total Other Additions and Deductions	322	91	(219)	1,317	535	58
Net Gain (Loss) before Provision for Losses	141	2,898	2,191	(9,152)	735	(4,876)
Provision for Losses	(172)	(71)	24,675	(785)	(285)	9,300
Net Gain (Loss) before Income Taxes	(31)	2,827	26,866	(9,937)	450	4,424
Less: Federal and Other Income Taxes	2,114	771	0	1,103	17	305
Net Income before Adjustment—Prior Years	(2,145)	2,056	26,866	(11,040)	433	4,119
Adjustment for Prior Years	(2)	(4)	1,194	188	(74)	(8)
Net Income	(2,147)	2,052	28,060	(10,852)	359	4,111
Distribution of FICB Earnings	1,187	2,685	10,288	6,078	708	691
Final Net Income (Loss)	**$ (960)**	**$ 4,737**	**$38,348**	**$ (4,774)**	**$ 1,067**	**$ 4,802**

Totals may not add due to rounding.

Table 40 (continued)
Production Credit Associations Statement of Income by District

(Dollars in Thousands)

For the Year Ended December 31, 1987	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Income						
Loan Interest Income: Loans	$174,987	$ 44,564	$46,995	$73,248	$186,316	$40,805
Sales Contracts	3,195	1,288	532	685	1,421	782
Notes Receivable	465	264	520	135	94	102
Total Interest Income from Loans	178,647	46,116	48,047	74,068	187,831	41,689
Income from Investments (Net)	21	1	4	49	0	63
Appraisal and Loan Service Fees	707	3	8	259	919	1,257
Financially Related Services	9,498	913	830	1,707	682	636
Compensation Income—Participations Sold	0	0	0	0	0	0
Other Operating Income	1,317	52	428	2,556	131	203
Dividends from FICBs	0	0	0	0	0	0
Gross Income	**190,190**	**47,085**	**49,317**	**78,639**	**189,563**	**43,848**
Expenses						
Interest Expense—Notes Payable, Etc.	145,395	52,453	40,093	54,912	156,741	36,740
Compensation Expense—Participations Purchased	0	0	0	0	0	0
Operating Expenses	46,867	17,052	12,485	18,547	29,331	13,830
Total Expenses	**192,262**	**69,505**	**52,578**	**73,459**	**186,072**	**50,570**
Net Gain (Loss) from Operations	**(2,072)**	**(22,420)**	**(3,261)**	**5,180**	**3,491**	**(6,722)**
Other Additions/Deductions:						
Profit (Loss)—Sale of Investments	(3)	0	0	0	0	0
Income (Expense)—Other	(44)	(30)	(19)	84	52	(2)
Cash Over or Short (Net)	15	0	0	0	0	0
Net Profit (Loss)—Acquired Property	4,576	(14)	42	576	(442)	(543)
Income (Expense)—Lease Equipment	35	2	(4)	0	0	0
Income (Expense)—Loss Sharing	173	0	(23)	(120)	0	0
Income (Expense)—Capital Corp. Assessments	0	0	0	0	0	0
Other Gains (Losses)	(2,260)	14,892	(37)	6,614	10,487	(5,095)
Total Other Additions and Deductions	2,492	14,850	(41)	7,154	10,097	(5,640)
Net Gain (Loss) before Provision for Losses	420	(7,570)	(3,302)	12,334	13,588	(12,362)
Provision for Losses	33,937	9,344	10,337	(6,467)	(17,476)	4,154
Net Gain (Loss) before Income Taxes	34,357	1,774	7,035	5,867	(3,888)	(8,208)
Less: Federal and Other Income Taxes	1,901	4	2,488	123	509	188
Net Income before Adjustment—Prior Years	32,456	1,770	4,547	5,744	(4,397)	(8,396)
Adjustment for Prior Years	(474)	(48)	(700)	62	177	400
Net Income (Loss)	31,982	1,722	3,847	5,806	(4,220)	(7,996)
Distribution of FICB Earnings	15,683	0	5,245	983	894	0
Final Net Income (Loss)	**$ 47,665**	**$ 1,722**	**$ 9,092**	**$ 6,789**	**$ (3,326)**	**$(7,996)**

Totals may not add due to rounding.

Table 41
District Production Credit Associations Nonperforming Loans, Chargeoffs and Financial Ratios

(Dollars in Millions)

As of December 31, 1987	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Nonperforming Loans	$ 7.7	$35.1	$82.0	$117.7	$62.3	$87.3
Formally Restructured	0.5	2.5	0.0	1.6	0.4	10.0
Other Restructured or Reduced Rate	0.0	0.5	0.0	5.2	0.0	0.0
Other High Risk	3.4	22.7	0.0	43.6	30.2	35.0
Nonaccrual	3.8	9.4	82.0	67.3	31.7	42.3
For the Year Ended December 31, 1987						
Net Loan Chargeoffs	$ (1.2)	$ 0.1	$(17.1)	$ 4.6	$ 3.0	$ 2.7
Selected Ratios						
Return on Assets	(0.15%)	0.61%	3.61%	(0.42%)	0.21%	0.68%
Return on Equity	(0.91%)	3.15%	13.53%	(1.93%)	0.89%	2.31%
Net Interest Margin	2.01%	2.26%	3.15%	1.98%	2.27%	2.42%
As of December 31, 1987						
Capital as a % of Assets	16.61%	19.61%	27.62%	23.09%	24.60%	31.88%
Debt-to-Capital (:1)	5.02	4.10	2.62	3.33	3.06	2.14

Components may not add to exact totals due to rounding.

Table 41 (continued)
District Production Credit Associations Nonperforming Loans, Chargeoffs and Financial Ratios

(Dollars in Millions)

As of December 31, 1987	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Nonperforming Loans	$646.0	$82.9	$76.3	$62.9	$405.3	$97.1
Formally Restructured	268.4	14.9	4.5	1.2	50.9	1.8
Other Restructured or Reduced Rate	10.4	1.9	1.1	0.0	8.2	1.7
Other High Risk	230.5	8.0	21.9	22.7	173.0	21.2
Nonaccrual	136.7	58.1	48.8	40.0	173.2	72.4
For the Year Ended December 31, 1987						
Net Loan Chargeoffs	$ 3.3	$ 3.3	$ 8.5	$14.6	$ 19.5	$ 5.3
Selected Ratios						
Return on Assets	2.23%	0.30%	1.46%	0.77%	(0.16%)	(1.77%)
Return on Equity	16.34%	3.68%	5.75%	3.29%	(1.20%)	(18.46%)
Net Interest Margin	1.94%	(1.70%)	1.82%	2.62%	1.82%	1.52%
As of December 31, 1987						
Capital as a % of Assets	14.24%	7.20%	25.64%	23.73%	13.36%	4.42%
Debt-to-Capital (:1)	6.02	12.90	2.90	3.21	6.49	21.60

Components may not add to exact totals due to rounding.

Table 42
Banks for Cooperatives Combined Statement of Condition

(Dollars in Thousands)

As of December 31	1987	1986	Percent Change
Assets			
Loans to Cooperatives: Seasonal Loans	**$ 3,059,195**	$2,306,266	32.64
Term	**4,387,016**	4,588,297	(4.38)
Commodity	**267,311**	110,529	141.84
Acceptances	**384,703**	218,981	75.67
Subtotal	**8,098,225**	7,224,073	12.10
Less: Participations	**0**	0	0.00
Less: Acceptances Discounted to Other Farm Credit Banks	**0**	0	0.00
Less: Unapplied Loan Payments	**1,750**	2,456	(28.74)
Less: Unearned Income (Acceptances)	**8,133**	1,079	653.75
Total Loans to Cooperative Associations	**8,088,342**	7,220,538	12.01
Nonaccrual Loans	**10,764**	47,954	(77.55)
Sales Contracts, Notes, Etc.	**116,961**	126,141	(7.27)
Accrued Interest Receivable on Loans	**153,480**	129,444	18.56
Gross Loan Items	**8,369,547**	7,524,077	11.23
Less: Allowance for Losses	**140,984**	145,524	(3.11)
Net Loan Items	**8,228,563**	7,378,553	11.52
Cash	**21,264**	13,469	57.87
Investments: U.S. Government Securities (Par)	**32,600**	66,250	(50.79)
Securities—Government-Supervised Institutions (Par)	**12,010**	29,000	(58.58)
Other Securities and Federal Funds	**2,686,680**	2,186,557	22.87
Investments in DBC Bankers Acceptances (Net)	**0**	0	0.00
Unamortized Premium or Discount (Net)	**(3,156)**	(5,236)	(39.72)
Total Investment in Securities	**2,728,134**	2,276,571	19.83
Investments in Central Bank for Cooperatives	**0**	0	0.00
Investments in Other Banks for Cooperatives	**0**	0	0.00
Investments in Farm Credit Institutions	**11,959**	11,630	2.82
Notes Receivable—Farm Credit Banks and Other	**16,966**	23,114	(26.59)
Accounts Receivable	**9,377**	20,442	(54.12)
Accrued Interest Receivable—Other Farm Credit Banks	**31**	96	(67.70)
Accrued Interest Receivable—Investments	**37,506**	15,887	136.07
Acquired Property	**14,237**	18,356	(22.43)
Less: Accumulated Depreciation	**499**	357	39.77
Less: Allowance for Losses	**2,363**	2,494	(5.25)
Net Acquired Property	**11,375**	15,505	(26.63)
Land, Buildings, and Equipment	**58,019**	54,996	5.49
Less: Accumulated Depreciation	**12,696**	11,463	10.75
Net Land, Buildings, and Equipment	**45,323**	43,533	4.11
Customers' Liability on Acceptances Outstanding	**5,630**	0	0.00
Prepaid Expenses and Other Assets	**21,919**	12,474	75.71
Total Assets	**$11,138,047**	$9,811,274	13.52
Liabilities and Net Worth			
Notes Payable: Other Farm Credit Banks	**$ 3,948**	$ 48,574	(91.87)
Consolidated Systemwide Notes	**5,441,841**	4,277,282	27.22
Commercial Banks and Other	**329,901**	117,728	180.22
Securities Sold Under Agreement to Repurchase	**0**	0	0.00
Total Notes Payable	**5,775,690**	4,443,584	29.97
Accounts Payable	**45,554**	85,690	(46.83)
Accrued Interest Payable	**101,886**	105,318	(3.25)
Unmatured Farm Credit Systemwide Bonds	**3,894,826**	3,806,122	2.33
Less: Unamortized Discounts and Premiums	**(18,643)**	(14,068)	32.52
Less: Bonds Owned	**35,000**	35,000	0.00
Net Farm Credit Systemwide Bonds Outstanding	**3,878,469**	3,785,190	2.46
Unmatured Farm Credit Investment Bonds Outstanding	**253,549**	270,490	(6.26)
Matured Farm Credit Investment Bonds Outstanding	**0**	0	0.00
Capital Stock and Equities Called for Retirement	**34,181**	32,617	4.79
Bankers' Liability on Acceptances Outstanding	**5,630**	0	0.00
Other Liabilities	**7,932**	13,967	(43.20)
Total Liabilities	**10,102,891**	8,736,856	15.63
Capital Stock: Class B—All	**726**	687	5.67
Class C—District Banks	**0**	0	0.00
Class C—Cooperative Associations	**731,299**	766,789	(4.62)
Class D—All	**331**	613	(46.00)
Other—Cooperative Associations	**0**	0	0.00
Class C—Subscribed—Cooperative Associations	**274**	0	0.00
Class C—Subscribed—District Banks	**0**	0	0.00
Participation Certificates	**4,139**	3,207	29.06
Less: Impairment of Stock	**0**	0	0.00
Total Capital Stock	**736,769**	771,296	(4.47)
Earned Net Worth: Surplus Reserved	**84,268**	84,268	0.00
Surplus Allocated to Cooperative Associations	**160,884**	174,943	(8.03)
Surplus Allocated to District Banks	**0**	0	0.00
Surplus Unallocated	**53,235**	43,910	21.23
Undistributed Earnings	**0**	0	0.00
Total Earned Net Worth	**298,387**	303,121	(1.56)
Total Net Worth	**1,035,156**	1,074,417	(3.65)
Liabilities and Net Worth	**$11,138,047**	$9,811,273	13.52

Totals may not add due to rounding.

Table 43
Banks for Cooperatives Statement of Condition by District

(Dollars in Thousands)

As of December 31, 1987	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Assets						
Loans to Cooperatives: Seasonal Loans	$126,390	$ 70,992	$ 71,247	$165,337	$106,931	$130,696
Term	276,586	92,741	424,709	447,338	795,499	223,160
Commodity	0	0	24,765	0	5,341	86,275
Acceptances	0	0	37,500	0	12,250	0
Subtotal	402,976	163,733	558,221	612,675	920,021	440,131
Less: Participations	278,087	110,523	314,201	236,828	570,760	122,371
Less: Acceptances Discounted to Other Farm Credit Banks	0	0	0	0	0	0
Less: Unapplied Loan Payments	0	0	36	560	0	150
Less: Unearned Income (Acceptances)	0	0	172	0	191	0
Total Loans to Cooperative Associations	124,889	53,210	243,812	375,287	349,070	317,610
Nonaccrual Loans	263	748	518	666	604	465
Sales Contracts, Notes, Etc.	0	48	11,302	0	0	0
Accrued Interest Receivable on Loans	2,632	(983)	1,325	(5,137)	6,969	5,970
Gross Loan Items	127,784	53,023	256,957	370,816	356,643	324,045
Less: Allowance for Losses	2,087	1,042	7,837	8,309	3,410	6,928
Net Loan Items	125,697	51,981	249,120	362,507	353,233	317,117
Cash	24	223	85	2,362	2,373	811
Investments: U.S. Government Securities (Par)	0	0	0	350	1,000	0
Securities—Government-Supervised Institutions (Par)	0	0	0	0	0	0
Other Securities and Federal Funds	30,247	10,399	58,117	89,098	50,853	51,381
Investments in DBC Bankers Acceptances (Net)	0	0	0	0	0	0
Unamortized Premium or Discount (Net)	0	0	0	(332)	1	0
Total Investment in Securities	30,247	10,399	58,117	89,116	51,854	51,381
Investments in Central Bank for Cooperatives	23,287	11,975	34,357	27,322	57,748	13,591
Investments in Other Banks for Cooperatives	136	0	190	0	0	0
Investments in Farm Credit Institutions	160	592	2,508	885	630	557
Notes Receivable—Farm Credit Banks and Other	712	3,111	0	0	500	5,957
Accounts Receivable	1,510	443	1,883	1,073	2,467	1,095
Accrued Interest Receivable—Other Farm Credit Banks	8	15	0	0	2	0
Accrued Interest Receivable—Investments	414	15	768	352	464	227
Acquired Property	84	39	101	165	405	414
Less: Accumulated Depreciation	0	0	0	0	0	0
Less: Allowance for Losses	6	3	6	12	14	68
Net Acquired Property	78	36	95	153	391	346
Land, Buildings, and Equipment	4,229	0	179	2,564	6,646	4,939
Less: Accumulated Depreciation	482	0	84	555	822	1,130
Net Land, Buildings, and Equipment	3,747	0	95	2,009	5,824	3,809
Customers' Liability on Acceptances Outstanding	0	0	0	0	0	0
Prepaid Expenses and Other Assets	83	159	753	1,963	(450)	582
Total Assets	**$186,103**	**$ 78,949**	**$347,971**	**$487,742**	**$475,036**	**$395,473**
Liabilities and Net Worth						
Notes Payable: Other Farm Credit Banks	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Consolidated Systemwide Notes	65,699	19,779	118,364	54,483	87,144	61,3353
Commercial Banks and Other	0	1,480	0	10,364	9,164	8,058
Securities Sold Under Agreement to Repurchase	0	0	0	0	0	0
Total Notes Payable	65,699	21,259	118,364	64,847	96,308	69,411
Accounts Payable	1,327	800	7,116	4,270	4,770	5,043
Accrued Interest Payable	1,354	846	5,325	7,469	5,518	5,712
Unmatured Farm Credit Systemwide Bonds	66,000	32,340	153,750	283,814	248,674	225,501
Less: Unamortized Discounts and Premiums	(827)	(151)	(2,502)	(255)	(236)	(1,521)
Less: Bonds Owned	0	0	10,000	0	0	0
Net Farm Credit Systemwide Bonds Outstanding	66,827	32,491	146,252	284,069	248,910	227,022
Unmatured Farm Credit Investment Bonds Outstanding	0	5,108	6,700	39,818	12,950	13,558
Matured Farm Credit Investment Bonds Outstanding	0	0	0	0	0	0
Capital Stock and Equities Called for Retirement	11,489	0	0	0	0	0
Bankers' Liability on Acceptances Outstanding	0	0	0	0	0	0
Other Liabilities	17	117	351	68	181	59
Total Liabilities	**146,713**	**60,621**	**284,108**	**400,541**	**368,637**	**320,805**
Capital Stock. Class B—All	0	0	0	0	0	0
Class C—District Banks	0	130	72	0	8	477
Class C—Cooperative Associations	28,389	12,481	46,905	62,576	83,217	49,053
Class D—All	0	0	0	0	0	0
Other—Cooperative Associations	0	0	0	0	0	0
Class C—Subscribed—Cooperative Associations	0	0	0	271	0	0
Class C—Subscribed—District Banks	0	0	0	0	0	0
Participation Certificates	0	312	0	6	2,140	0
Less: Impairment of Stock	0	0	0	0	0	0
Total Capital Stock	28,389	12,923	46,977	62,853	85,365	49,530
Earned Net Worth: Surplus Reserved	4,419	2,576	4,371	5,180	3,628	6,154
Surplus Allocated to Cooperative Associations	6,443	345	6,529	17,301	15,610	15,539
Surplus Allocated to District Banks	0	7	17	6	9	168
Surplus Unallocated	137	2,479	5,972	1,862	1,787	3,277
Undistributed Earnings	0	0	0	0	0	0
Total Earned Net Worth	10,999	5,407	16,889	24,349	21,034	25,138
Total Net Worth	**39,388**	**18,330**	**63,866**	**87,202**	**106,399**	**74,668**
Total Liabilities and Net Worth	**$186,101**	**$78,951**	**$347,974**	**$487,743**	**$475,036**	**$395,473**

Totals may not add due to rounding.

Table 43 (continued)
Banks for Cooperatives Statement of Condition by District

(Dollars in Thousands)

As of December 31, 1987	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane	Central Bank
Assets							
Loans to Cooperatives. Seasonal Loans	$ 350,479	$172,085	$199,503	$ 68,916	$427,377	$176,825	$1,755,473
Term	1,098,563	168,283	313,917	195,655	211,884	135,395	2,163,964
Commodity	8,332	0	46,300	79,464	15,234	0	93,347
Acceptances	0	42,100	34,613	26,100	22,720	0	317,044
Subtotal	1,457,374	382,468	594,333	370,135	677,215	312,220	4,329,828
Less: Participations	583,626	82,623	143,379	192,278	244,783	111,633	132,013
Less: Acceptances Discounted to Other Farm Credit Banks	0	0	0	0	0	0	0
Less: Unapplied Loan Payments	100	395	259	0	168	7	75
Less: Unearned Income (Acceptances)	0	52	1,412	16	582	0	5,708
Total Loans to Cooperative Associations	873,648	299,398	449,283	177,841	431,682	200,580	4,192,032
Nonaccrual Loans	1,448	1,564	2,208	179	885	787	431
Sales Contracts, deral Funds	195,886	127,995	128,356	238,542	10,898	26,770	1,668,137
Investments in DBC Bankers Acceptances (Net)	0	0	0	0	0	0	0
Unamortized Premium or Discount (Net)	(241)	(4)	8	(81)	0	(257)	(2,250)
Total Investment in Securities	197,645	128,991	148,364	238,461	11,348	46,313	1,665,897
Investments in Central Bank for Cooperatives	67,438	5,093	18,347	4,788	34,874	11,755	0
Investments in Other Banks for Cooperatives	2,418	0	6,829	128	0	0	0
Investments in Farm Credit Institutions	3,958	921	456	407	178	631	75
Notes Receivable—Farm Credit Banks and Other	381	0	0	1,725	6,127	0	20,791
Accounts Receivable	3,049	426	2,318	732	2,970	673	2,472
Accrued Interest Receivable—Other Farm Credit Banks	5	0	0	23	12	0	84
Accrued Interest Receivable—Investments	1,835	1,359	1,125	1,152	158	343	29,294
Acquired Property	1,615	140	1,485	2,624	198	787	6,180
Less: Accumulated Depreciation	0	0	0	363	0	136	0
Less: Allowance for Losses	287	10	1,215	539	9	181	12
Net Acquired Property	1,328	130	270	1,722	189	470	6,168
Land, Buildings, and Equipment	7,533	1,349	0	10,288	4,768	8,464	7,060
Less: Accumulated Depreciation	2,970	990	0	882	1,364	1,533	1,884
Net Land, Buildings, and Equipment	4,563	359	0	9,406	3,404	6,931	5,176
Customers' Liability on Acceptances Outstanding	0	0	0	0	0	0	5,630
Prepaid Expenses and Other Assets	1,677	2,719	2,151	1,416	3,294	724	7,669
Total Assets	**$1,215,362**	**$438,928**	**$644,106**	**$440,187**	**$514,481**	**$271,306**	**$5,997,690**
Liabilities and Net Worth							
Notes Payable: Other Farm Credit Banks	$ 685	$ 0	$ 6,000	$ 0	$ 0	$ 2,806	$ 16,794
Consolidated Systemwide Notes	292,958	71,918	221,791	205,525	232,723	64,534	3,945,569
Commercial Banks and Other	151,617	111,405	8,221	4,700	11,042	6,771	7,079
Securities Sold Under Agreement to Repurchase	0	0	0	0	0	0	0
Total Notes Payable	445,260	183,323	236,012	210,225	243,765	74,111	3,969,442
Accounts Payable	12,105	2,878	4,022	982	2,954	881	10,961
Accrued Interest Payable	14,345	5,496	6,443	1,927	4,620	3,375	39,574
Unmatured Consolidated and Systemwide Bonds	495,590	182,500	200,743	106,000	163,000	130,000	1,606,913
Less: Unamortized Discounts and Premiums	(1,810)	(377)	226	(428)	(59)	(316)	(10,384)
Less: Bonds Owned	0	25,000	0	0	0	0	0
Net Farm Credit Systemwide Bonds Outstanding	497,400	157,877	200,517	106,428	163,059	130,316	1,617,297
Unmatured Farm Credit Investment Bonds Outstanding	9,475	20,050	57,116	79,813	0	8,960	0
Matured Farm Credit Investment Bonds Outstanding	0	0	0	0	0	0	0
Capital Stock and Equities Called for Retirement	0	0	0	0	19,069	3,622	0
Bankers' Liability on Acceptances Outstanding	0	0	0	0	0	0	5,630
Other Liabilities	4,238	158	396	598	524	320	1,152
Total Liabilities	**982,823**	**369,782**	**504,506**	**399,973**	**433,991**	**221,585**	**5,644,056**
Capital Stock: Class B—All	0	0	0	0	726	0	0
Class C—District Banks	876	5,975	84	290	0	335	272,746
Class C—Cooperative Associations	173,250	47,501	103,791	23,781	62,391	37,964	0
Class D—All	331	0	0	0	0	0	0
Other—Cooperative Associations	0	0	0	0	0	0	0
Class C—Subscribed—Cooperative Associations	3	0	0	0	0	0	0
Class C—Subscribed—District Banks	0	0	0	0	0	0	0
Participation Certificates	0	0	1,640	0	0	41	0
Less: Impairment of Stock	0	0	0	0	0	0	0
Total Capital Stock	174,460	53,476	105,515	24,071	63,117	38,340	272,746
Earned Net Worth: Surplus Reserved	6,638	2,423	6,336	5,038	3,568	4,262	29,676
Surplus Allocated to Cooperative Associations	43,223	10,495	23,123	3,049	12,446	6,782	0
Surplus Allocated to District Banks	254	603	19	45	0	81	37,829
Surplus Unallocated	7,962	2,147	4,603	8,010	1,359	258	13,383
Undistributed Earnings	0	0	0	0	0	0	0
Total Earned Net Worth	58,077	15,668	34,081	16,142	17,373	11,383	80,888
Total Net Worth	**232,537**	**69,144**	**139,596**	**40,213**	**80,490**	**49,723**	**353,634**
Total Liabilities and Net Worth	**$1,215,360**	**$438,926**	**$644,102**	**$440,186**	**$514,481**	**$271,308**	**$5,997,690**

Totals may not add due to rounding.

Table 44
Banks for Cooperatives Combined Statement of Income

(Dollars in Thousands)

For the Year Ended December 31	1987	1986	Percent Change
Income			
Loan Interest Income: Cooperative Associations	**$647,780**	$719,684	(9.99)
Sales Contracts	**9,932**	7,038	41 11
Notes Receivable—Other Farm Credit Banks	**220**	976	(77.45)
Other Interest Income	**302**	4,015	(92.47)
Total Interest Income from Loans	**658,234**	731,713	(10.04)
Income from Investments (Net)	**163,293**	133,140	22.64
Compensation Income—Participations Sold	**0**	0	0.00
Appraisal and Loan Service Fees	**664**	4,436	(85.03)
Financially Related Services	**76**	56	35.71
Customers Draft Accepted Fees	**68**	4	1,600.00
Letters of Credit Issued Fees	**4,091**	2,565	59.49
Income from Distribution of Earnings of CBC	**0**	0	0.00
Income from Distribution of Earnings of Other District Banks	**0**	0	0.00
Gross Income	**826,426**	871,914	(5.21)
Expenses			
Notes and Bonds Expense: Cost of Bonds	**360,433**	410,483	(12.19)
Interest on Notes Payable	**332,289**	314,602	5.62
Total Cost of Borrowed Funds	**692,722**	725,085	(4.46)
Compensation Expense—Participations Purchased	**0**	0	0.00
Operating Expenses	**55,825**	58,858	(5.15)
Total Expenses	**748,547**	783,943	(4.51)
Net Gain (Loss) from Operations	**77,879**	87,971	(11.47)
Other Additions/Deductions:			
Profit (Loss)—Sale of Investments	**3**	723	(99.58)
Net Profit (Loss)—Acquired Property	**1,021**	537	90.13
Provision for Losses—Acquired Property	**(1,329)**	(1,959)	(32.15)
Income (Expense)—Other	**673**	220	205.90
Income (Expense)—Loss Sharing	**0**	171	(100.00)
Income (Expense)—Capital Corp. Assessment	**0**	87	(100.00)
Other Gains (Losses)	**(525)**	(77,415)	(99.32)
Other Income (Expense)	**1,566**	4,515	(65.31)
Total Other Additions and Deductions	**1,409**	(73,121)	101.92
Net Gain (Loss) before Provision for Losses	**79,288**	14,850	433.92
Provision for Losses	**6,786**	(13,546)	(150.09)
Net Income before Income Taxes	**86,074**	1,304	6,500.76
Less: Federal and Other Income Taxes	**6,241**	715	772.86
Net Income (Loss)	**$ 79,833**	$ 589	****(1)

(1) Percent Change exceeds 9999.99 or (999.99).
Totals may not add due to rounding.

Table 45
Banks for Cooperatives Statement of Income by District

(Dollars in Thousands)

For the Year Ended December 31, 1987	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Income						
Loan Interest Income: Cooperative Associations	$10,077	$3,899	$22,126	$34,432	$27,730	$28,172
Sales Contracts	1	199	1,412	0	0	0
Notes Receivable—Other Farm Credit Banks	31	120	4	18	101	1
Other Interest Income	6	14	0	0	0	0
Total Interest Income from Loans	10,115	4,232	23,542	34,450	27,831	28,173
Income from Investments (Net)	2,289	761	3,520	5,414	3,864	5,567
Compensation Income—Participations Sold	0	0	1,018	0	12	0
Appraisal and Loan Service Fees	48	0	56	208	0	36
Financially Related Services	0	0	38	0	0	26
Customers Draft Accepted Fees	0	0	0	0	0	0
Letters of Credit Issued Fees	24	1	59	151	24	0
Income from Distribution of Earnings of CBC	2,154	930	3,089	2,853	6,317	1,313
Income from Distribution of Earnings of Other District Banks	0	0	0	0	0	0
Gross Income	**14,630**	**5,924**	**31,322**	**43,076**	**38,048**	**35,115**
Expenses						
Notes and Bonds Expense: Cost of Bonds	5,781	3,094	15,201	24,476	21,634	20,143
Interest on Notes Payable	3,807	1,194	7,717	7,987	3,902	6,541
Total Cost of Borrowed Funds	9,588	4,288	22,918	32,463	25,536	26,684
Compensation Expense—Participations Purchased	0	0	0	0	0	0
Operating Expenses	1,939	1,200	3,258	4,513	3,762	3,382
Total Expenses	**11,527**	**5,488**	**26,176**	**36,976**	**29,298**	**30,066**
Net Gain (Loss) from Operations	**3,103**	**436**	**5,146**	**6,100**	**8,750**	**5,049**
Other Additions/Deductions:						
Profit (Loss)—Sale of Investments	0	0	0	0	0	0
Net Profit (Loss)—Acquired Property	16	10	47	71	81	165
Provision for Losses—Acquired Property	0	(4)	(25)	(46)	(55)	(31)
Income (Expense)—Other	0	0	0	0	(84)	0
Income (Expense)—Loss Sharing	0	0	0	0	0	0
Income (Expense)—Capital Corp. Assessment	0	0	0	0	0	0
Other Gains (Losses)	29	0	(25)	(39)	(37)	0
Other Income (Expense)	46	45	71	238	124	121
Total Other Additions and Deductions	91	51	68	224	29	255
Net Gain (Loss) before Provision for Losses	3,194	487	5,214	6,324	8,779	5,304
Provision for Losses	0	533	1,773	0	(99)	2,781
Net Income before Income Taxes	3,194	1,020	6,987	6,324	8,680	8,085
Less: Federal and Other Income Taxes	74	3	864	652	469	72
Net Income (Loss)	**$ 3,120**	**$1,017**	**$ 6,123**	**$ 5,672**	**$ 8,211**	**$ 8,013**

Totals may not add due to rounding.

Table 45 (continued)
Banks for Cooperatives Statement of Income by District

(Dollars in Thousands)

For the Year Ended December 31, 1987	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane	Central Bank
Income							
Loan Interest Income: Cooperative Associations	$ 78,799	$28,696	$35,225	$12,694	$37,377	$20,652	$307,902
Sales Contracts	3,554	16	0	25	2,607	30	2,088
Notes Receivable—Other Farm Credit Banks	320	39	2	246	289	13	384
Other Interest Income	0	0	32	53	0	12	220
Total Interest Income from Loans	82,673	28,751	35,259	13,018	40,273	20,707	310,594
Income from Investments (Net)	12,942	4,722	6,064	6,936	729	3,768	106,718
Compensation Income—Participations Sold	0	0	0	0	0	0	0
Appraisal and Loan Service Fees	0	0	14	206	49	33	14
Financially Related Services	8	0	3	0	0	1	0
Customers Draft Accepted Fees	0	0	0	0	35	0	32
Letters of Credit Issued Fees	355	25	8	137	7	12	3,288
Income from Distribution of Earnings of CBC	5,733	466	2,495	1,521	2,980	1,250	0
Income from Distribution of Earnings of Other District Banks	0	0	27	0	0	0	0
Gross Income	**101,711**	**33,964**	**43,870**	**21,818**	**44,073**	**25,771**	**420,646**
Expenses							
Notes and Bonds Expense: Cost of Bonds	49,667	22,557	19,133	9,060	14,905	13,566	141,217
Interest on Notes Payable	26,485	5,408	10,465	6,986	17,708	6,531	228,952
Total Cost of Borrowed Funds	76,152	27,965	29,598	16,046	32,613	20,097	370,169
Compensation Expense—Participations Purchased	0	0	1,535	0	0	0	0
Operating Expenses	6,684	3,304	3,895	2,836	3,663	3,643	13,746
Total Expenses	**82,836**	**31,269**	**35,028**	**18,882**	**36,276**	**23,740**	**383,915**
Net Gain (Loss) from Operations	**18,875**	**2,695**	**8,842**	**2,936**	**7,797**	**2,031**	**36,731**
Other Additions/Deductions:							
Profit (Loss)—Sale of Investments	0	0	0	0	0	0	3
Net Profit (Loss)—Acquired Property	204	53	66	65	81	103	59
Provision for Losses—Acquired Property	(102)	(41)	(850)	(49)	(7)	(91)	(27)
Income (Expense)—Other	0	5	0	138	0	(29)	643
Income (Expense)—Loss Sharing	0	0	0	0	0	0	0
Income (Expense)—Capital Corp. Assessment	0	0	0	0	0	0	0
Other Gains (Losses)	36	(7)	24	(6)	(627)	73	226
Other Income (Expense)	415	277	207	(77)	121	95	228
Total Other Additions and Deductions	553	287	(553)	71	(432)	151	1,132
Net Gain (Loss)before Provision for Losses	19,428	2,982	8,289	3,007	7,365	2,182	37,863
Provision for Losses	(32)	(8)	(696)	(110)	2,985	(25)	(318)
Net Income before Income Taxes	19,396	2,974	7.593	2,897	10,350	2,157	37,545
Less: Federal and Other Income Taxes	1,051	(591)	332	0	32	42	2,060
Net Income (Loss)	**$ 18,345**	**$ 2,383**	**$ 7,261**	**$ 2,897**	**$10,318**	**$ 2,115**	**$ 35,485**

Totals may not add due to rounding.

Table 46
District Banks for Cooperatives Nonperforming Loans, Chargeoffs and Financial Ratios

(Dollars in Millions)

As of December 31, 1987	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Nonperforming Loans	$0.3	$5.6	$12.8	$1.0	$20.8	$12.8
Formally Restructured	0.0	0.0	0.0	0.0	0.0	0.0
Other Restructured or Reduced Rate	0.0	2.9	0.0	0.0	0.0	11.7
Other High Risk	0.0	2.0	12.3	0.3	20.2	0.6
Nonaccrual	0.3	0.7	0.5	0.7	0.6	0.5
For the Year Ended December 31, 1987						
Net Loan Chargeoffs	$0.0	$0.0	$ 0.0	$0.1	$ 0.1	$ 0.1
Selected Ratios						
Return on Assets	1.70%	1.32%	1.82%	1.09%	1.87%	2.09%
Return on Equity	6.98%	5.48%	9.67%	6.57%	7.77%	10.68%
Net Interest Margin	1.84%	1.09%	1.36%	1.49%	1.67%	1.93%
As of December 31, 1987						
Capital as a % of Assets	21.16%	23.22%	27.05%	17.88%	22.40%	18.88%
Debt-to-Capital (:1)	3.72	3.31	2.70	4.59	3.46	4.30

Components may not add to exact totals due to rounding.

Table 46 (continued)
District Banks for Cooperatives Nonperforming Loans, Chargeoffs and Financial Ratios

(Dollars in Millions)

As of December 31, 1987	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane	Central Bank
Nonperforming Loans	$59.5	$11.9	$2.7	$ 9.8	$10.5	$ 3.9	$13.9
Formally Restructured	35.6	10.3	0.0	7.7	7.7	0.0	5.8
Other Restructured or Reduced Rate	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other High Risk	22.4	0.0	0.5	1.9	1.9	3.1	7.7
Nonaccrual	1.4	1.6	2.2	0.2	0.9	0.8	0.4
For the Year Ended December 31, 1987							
Net Loan Chargeoffs	$ 0.0	$(0.5)	$0.8	$(0.1)	$(3.0)	$ 0.0	$ 0.4
Selected Ratios							
Return on Assets	1.59%	0.65%	1.20%	0.81%	1.99%	0.73%	0.61%
Return on Equity	7.97%	3.35%	5.04%	7.25%	11.87%	4.22%	10.14%
Net Interest Margin	1.84%	1.53%	2.08%	1.16%	1.73%	1.65%	0.82%
As of December 31, 1987							
Capital as a % of Assets	19.13%	15.75%	2.67%	9.14%	15.64%	18.33%	5.90%
Debt-to-Capital (:1)	4.23	5.35	3.61	9.95	5.39	4.46	15.96

Components may not add to exact totals due to rounding.

Table 47
Young, Beginning and Small Farmers Selected Borrower Characteristics Federal Land Banks Loans Booked During 1987

Borrower Net Worth	Number of Loans	*Average Loan Amount	Average Age	Percent Under 35	Average Debt-to-Asset Ratio	*Average Gross Ag Income	% Under $40,000 Ag Income	*Average Income Remainder(1)	Percent by Type of Organization: Proprietorships	Partnerships	Corporations	Other
Negative	60	$743.4	32	15%	0.95	$ 327.8	40%	$ 43.4	40%	5%	2%	53%
$0—$24,999	1,239	117.9	38	30%	0.45	33.5	40%	10.9	65%	1%	1%	33%
$25,000—$74,999	3,029	43.3	39	33%	0.50	781.7	55%	11.3	74%	0%	0%	25%
$75,000—$99,999	1,040	56.4	41	27%	0.45	761.5	64%	11.3	77%	0%	0%	22%
$100,000—$149,999	1,583	63.7	43	23%	0.40	1,668.3	59%	13.9	77%	1%	0%	22%
$150,000—$249,999	2,106	82.2	46	16%	0.36	228.9	57%	16.1	79%	1%	1%	19%
$250,000—$374,999	1,611	108.1	49	12%	0.34	279.3	45%	16.7	79%	3%	2%	16%
$375,000—$499,999	992	124.0	49	11%	0.31	895.4	39%	55.9	79%	2%	3%	17%
$500,000—$999,999	1,735	170.8	50	9%	0.29	207.0	31%	33.5	73%	5%	6%	17%
$1,000,000 and over	1,617	$625.2	51	6%	0.30	$1,224.1	25%	$309.3	61%	8%	14%	17%

* Amounts in thousands of dollars.
(1) Income remainder is projected annual net income from all sources less outlays for debt service, taxes and living expenses.
Totals may not add due to rounding.

Table 48
Young, Beginning and Small Farmers Selected Borrower Characteristics—Part 1 Production Credit Associations Loans Outstanding at Yearend 1987

Borrower Net Worth	Number of Loans	*Average Loan Balance	Average Age	Percent Under 35	Years Farming Experience: % Under 5 Years	% Under 10 Years	*Average Value Ag Assets	*Average Value Ag Real Estate	Average Debt-to-Asset Ratio
Negative	3,394	$ 78.3	40	31%	10%	40%	$ 357.3	$ 295.4	6.47
$0—$24,999	33,372	26.3	41	20%	6%	13%	43.0	86.2	0.61
$25,000—$74,999	32,780	17.6	43	30%	9%	25%	63.4	78.0	0.48
$75,000—$99,999	16,092	21.9	47	20%	7%	19%	86.7	85.7	0.41
$100,000—$149,999	27,194	24.7	48	16%	6%	16%	112.2	133.6	0.38
$150,000—$249,999	37,962	32.1	50	10%	4%	11%	169.6	145.1	0.34
$250,000—$374,999	26,890	41.3	53	8%	3%	8%	257.2	209.7	0.31
$375,000—$499,999	15,498	51.2	51	7%	2%	8%	353.3	286.9	0.30
$500,000—$999,999	23,028	71.1	54	6%	3%	7%	511.3	438.4	0.28
$1,000,000 and over	14,420	$186.3	54	5%	3%	9%	$3,496.3	$2,709.7	0.26

* Amounts in thousands of dollars.

Table 49
Young, Beginning and Small Farmers Selected Borrower Characteristics—Part 2 Production Credit Associations Loans Outstanding at Yearend 1987

Borrower Net Worth	% Under $40,000 Ag Sales	Percent by Type of Organization: Proprietorships	Partnerships	Family Corporations	Close Nonfamily Corporations	Public Corporations	Other
Negative	32%	51.41%	12.32%	5.80%	1.15%	0.03%	29.29%
$0—$24,999	24%	72.75%	2.91%	1.41%	0.73%	0.02%	22.18%
$25,000—$74,999	52%	62.76%	3.61%	1.48%	0.15%	0.02%	31.98%
$75,000—$99,999	50%	62.48%	3.77%	1.40%	0.11%	0.02%	32.23%
$100,000—$149,999	44%	63.08%	4.34%	1.39%	0.14%	0.01%	31.03%
$150,000—$249,999	34%	63.73%	5.62%	1.78%	0.16%	0.04%	28.68%
$250,000—$374,999	26%	64.06%	6.82%	2.69%	0.21%	0.04%	26.17%
$375,000—$499,999	20%	63.12%	8.38%	4.34%	0.17%	0.08%	23.91%
$500,000—$999,999	16%	62.16%	9.25%	6.53%	0.38%	0.08%	21.59%
$1,000,000 and over	16%	57.99%	13.20%	12.70%	0.94%	0.24%	14.93%

Totals may not add due to rounding.