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Farm Credit Administration

Annual
Report



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**Annual Report of the Farm Credit Administration
1986**

The President of the Senate
The Speaker of the House of Representatives

Dear Sirs:

We are pleased to submit the Annual Report of the Farm Credit Administration for the calendar year 1986. This report is made in accordance with Section 5.17 (3) of the Farm Credit Act of 1971, as amended.

This report is on the manner and extent to which the purposes and objectives of this act are being carried out and on the condition of the Farm Credit System based on examinations carried out under Section 5.19 of the act and on reports submitted to the Farm Credit Administration by the institutions of the Farm Credit System.

It includes a summary and analysis of the reports submitted to the Farm Credit Administration by the Federal Land Banks and Federal Intermediate Credit Banks, under Section 4.19 (b) of the act, relating to programs for serving young, beginning, and small farmers.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank W. Naylor, Jr.", with a stylized flourish at the end.

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

Message from the Chairman



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

March 31, 1987

Dear Reader:

With the publication of the 1986 Annual Report, the Farm Credit Administration (FCA) completes for Congress its obligation under the law. But, more than that, the FCA passes the first significant marker in its short history of operations as an arm's-length Federal financial regulator for the Farm Credit System, a privately owned and operated financial cooperative.

The Farm Credit Amendments Act of 1985 reorganized the Farm Credit Administration replacing the 13-member part-time board and governor with a full-time three member board. The three member FCA Board comprised of Marvin R. Duncan, Jim R. Billington, and myself, was appointed by the President, and given the responsibility and authority by Congress to regulate, examine and assure the safety and soundness of the System institutions and to protect the interests of borrower/stockholders, investors, and the public. Mr. Duncan and I were confirmed by the Senate in May 1986 and Mr. Billington in October 1986.

With this report, we close the books on 1986. Nineteen hundred eighty six was a year when the System, the FCA and Congress faced a number of difficult decisions concerning the future of the System. The System throughout 1986 remained burdened with a series of problems such as nonearning assets, excessive overhead expenses, outstanding high priced debt and member relations. As we face the future, the challenges before the Farm Credit System are great. The FCA stands ready, however, to meet those challenges with the System during the difficult days ahead as we work to make the Farm Credit System a strong and sound System ready to meet the credit needs of America's largest industry -- agriculture.

Sincerely,

A handwritten signature in dark ink, appearing to read "Frank W. Naylor, Jr.", written over a light-colored background.

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

Contents

Message from the Chairman	i
Farm Credit Administration Organization	2
The Farm Credit Administration	3
President Appoints Board	3
Agency Takes Actions to Implement Law	3
Farm Credit System Capital Corporation	5
Examination Function Expanded	6
Supervision and Enforcement	7
Board Adopts Policy to Strengthen Loan Documentation	9
Call Reports Issued	9
Board Denies PCA Liquidation Request	10
Regulatory Accounting Regulations Approved	10
At-Large Director Elections Held	10
Agency Involved in Litigation	11
Regulations Issued to Implement Law	13
Farm Credit Administration Budget	20
The Farm Credit System	21
Federal Land Banks - Federal Land Bank Associations	21
Federal Intermediate Credit Banks - Production Credit Associations	21
Banks for Cooperatives	22
Borrower Control of the Farm Credit System	22
Conditions in the Farm Sector	22
Financial Condition of the Farm Credit System	23
Financial Condition of the Federal Land Banks	24
Financial Condition of the Federal Intermediate Credit Banks	24
Financial Condition of the Production Credit Associations	24
Financial Condition of the Banks for Cooperatives	25
Farm Credit System Funding	25
Young, Beginning, and Small Farmers	26
Map of the Farm Credit System	26
Financial Tables	27

**Farm Credit Administration
Senior Officials**

Office of the Board

Frank W. Naylor, Jr.
Chairman

Marvin R. Duncan
Member

Jim R. Billington
Member

Kenneth J. Auberger
Secretary

Office of Congressional and Public Affairs

Francis J. Boyd, Jr.
Director

Office of Examination

David C. Baer
Chief Examiner

Office of Analysis and Supervision

Michael J. Powers
Director

Office of Administration

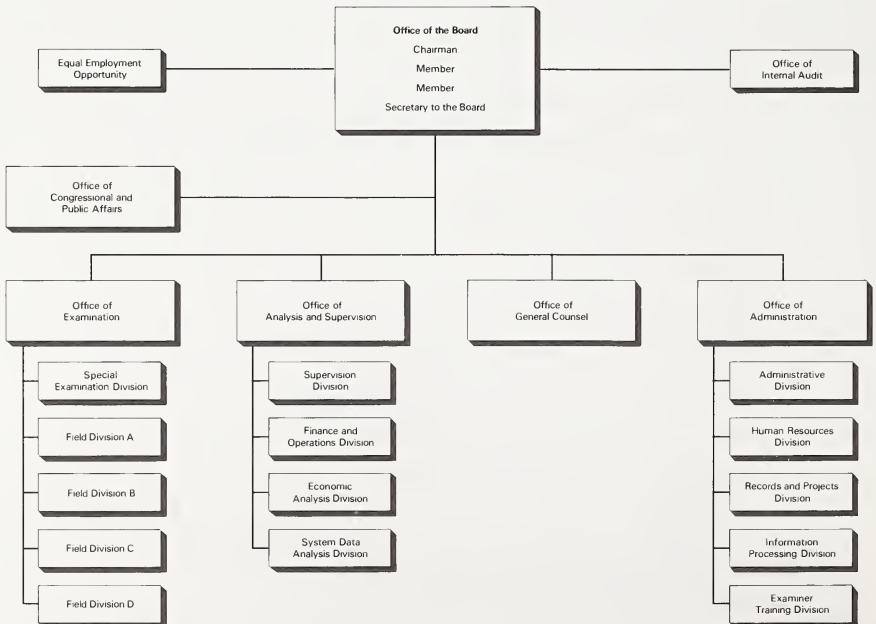
Michael A. Bronson
Director

Office of Internal Audit

Norman E. Mattson
Director

Office of General Counsel

Frederick R. Medero
General Counsel



The Farm Credit Amendments Act of 1985 became effective January 23, 1986, and ushered in a new role for the Farm Credit Administration (FCA) in its relationship with the institutions that comprise the Farm Credit System (system).

The management of the agency is now vested in a Presidentially-appointed, three-member, full-time board of directors, one of whom serves as chairman and chief executive officer. The law requires the board to manage, administer, and establish policies for the Farm Credit Administration. The board's specific responsibilities include:

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

The new law gives the FCA enhanced enforcement authorities, including the power to issue cease and desist orders, levy civil money penalties, and remove officers and directors of system institutions. It also contains provisions that guarantee the rights of loan applicants and borrowers, require full financial disclosure by system institutions to stockholders and investors, mandate the annual examination of each system institution by the FCA, and establish a mechanism by which Federal financial assistance may be obtained.

Donald E. Wilkinson, former governor of the Farm Credit Administration, was named acting chairman and served until March 28, when he resigned. His successor was Kenneth J. Auberger, who was his executive assistant and who served for many years as the agency's chief examiner.

President Appoints Board

On May 22, following their appointment by President Ronald Reagan and subsequent confirmation by the U.S. Senate, Frank W. Naylor, Jr., and Marvin R. Duncan were sworn in as members of the board. Naylor, who was designated chairman and chief executive officer, had been Under Secretary of Agriculture for Small Community and Rural Development since May 20, 1981, and before that served for five years as a senior vice president of the Farm Credit Banks of Sacramento. Duncan joined FCA on August 12, 1985 as senior deputy governor. He had been with the Federal Reserve Bank of Kansas City since 1975, where he was a vice president and senior economist.

The third member of the board, Jim R. Billington of Altus, Oklahoma, took the oath of office October 9. A full-time farmer and rancher since 1978, Billington had been president and chief executive officer of the First National Bank of Beaver, Oklahoma, for the previous three years. Before that, he worked in the Farm Credit System for 10 years, first as an examiner with the Federal Intermediate Credit Bank of Wichita, Kansas, and then as president and chief executive officer of the Woodward Production Credit Association, Woodward, Oklahoma. He is a past president of the National Association of Wheat Growers.

Agency Takes Actions to Implement Law

Because of the speed with which the Congress passed the Farm Credit Amendments Act of 1985, the Farm Credit Administration called for a good faith effort on the part of the Farm Credit System to quickly implement some of its key provisions. Less than a month after the amendments became effective, the agency directed system institutions to follow the intent of the law pertaining to the rights of applicants and borrowers, restricted certain financial transactions to conserve system resources, and announced the issuance of final regulations dealing with financial disclosure.

Holding that the law was straightforward in describing the information to which applicants were entitled and in setting forth their rights after obtaining loans, the FCA directed its provisions in those areas be implemented before regulations were issued. The agency directed system institutions to

disclose the interest rate, including examples of how the rate is affected by the required purchase of stock or participation certificates in conjunction with the loan. If it was a variable interest rate loan, applicants were to be told how much and how often the interest rate could go up during the term of the loan. And if there were no limitations, the factors that go into determining rate adjustments, including the cost of funds, expenses, and provision for loan losses should be disclosed.

The institutions were told that an applicant whose request for credit was denied or reduced was entitled to a review by a committee that included representation from the board of directors. That review should take place within 30 days after the applicant requested it, and the review committee's decision and reasoning should be promptly provided in writing to the applicant.

Institutions were also requested to provide borrowers with copies of any loan related documents they signed, as well as copies of the institution's articles of incorporation and bylaws. In addition, the institutions were directed to develop policies governing forbearance and to provide copies of those policies to borrowers who requested them.

The final borrower rights regulations were issued October 28.

In anticipation of issuing a new charter to the Farm Credit System Capital Corporation (capital corporation), which would allow it to make financial assessments of stronger system institutions so it could provide assistance to those whose continued operations were in jeopardy, the FCA also took action to prevent system institutions from dissipating their financial resources.

Targeting early April as the start-up of the expanded capital corporation, the agency notified all system institutions that specific proposed financial transactions would not be permitted until the regulations relating to the capital corporation were in place, except after a case-by-case review by the agency. The action was not intended to affect the regular conduct of business. It was taken to ensure the preservation of capital for the integrity of individual institutions and the availability of resources for self-help efforts as specified in the law. The agency's goal

was to see that the objectives of self-help were met through the maintenance of adequate levels of earned equities that could be transferred to the capital corporation for use in managing troubled assets and providing financial assistance to system institutions in financial difficulty.

Actions system institutions were not permitted to take included:

1. extraordinary operating and capital expenditures that are within the control of management and boards of directors and in excess of \$250,000;
2. major changes that increase the cost of employee benefit and pension plans or major changes in depreciation procedures;
3. repurchase of unmatured debt instruments;
4. payment of an interest rate on member funds held by district banks in an amount that exceeds the member's loan rate; and
5. charging an interest rate by any Production Credit Association that is less than it is paying for funds from the Federal Intermediate Credit Bank.

At the same time, system officials were reminded that all provisions to the allowance for loan losses accounts were to be in compliance with Generally Accepted Accounting Principles (GAAP).

The agency also expressed concern over changes in interest rates charged by system institutions. System officials were told that any requests for interest rate changes by Farm Credit Banks had to include:

1. projections of their effect on bank earnings;
2. key assumptions on which the projections are based, including the provision for financial assistance to other institutions;
3. the difference between projected financial ratios and the system's financial guidelines;
4. an analysis of the bank's current lending rate in relation to the major competition and documentation that the current loan rate is resulting in long-term deterioration of its competitive position.

System institutions were notified that regulations mandating full financial disclosure would soon be issued. The regulations would specify the type and frequency of information to be disclosed to help ensure stockholders and investors received the kind of financial information they needed to make informed decisions. They were told that certified financial audits, as well as disclosure of significant actions and activities that materially affect the business operations of the institutions, would be required.

The final regulations governing financial disclosure were issued June 12.

Farm Credit System Capital Corporation

One month after the 1985 amendments were in effect, the Farm Credit Administration issued a Federal charter establishing a new Farm Credit System Capital Corporation to be owned by the 37 Farm Credit Banks. Regulations governing its organization and operations were issued March 10. The new corporation assumed the assets, liabilities, and contractual obligations of its predecessor corporation, which was providing financial assistance to institutions in the Eighth (Omaha) and Twelfth (Spokane) Farm Credit Districts under the terms of a contract with the other Farm Credit Banks.

The capital corporation is controlled by a five-member board of directors, three elected by the Farm Credit Banks and two appointed by the Chairman of the Farm Credit Administration. One of the elected directors must represent an institution designated as receiving assistance, and one must come from an institution designated as a provider of assistance. The two directors appointed by FCA cannot be system borrowers, shareholders, or employees and must be experienced in financial services or credit.

On April 10, Kenneth J. Auberger, acting chairman of FCA, named Francis E. Ferguson, Milwaukee, Wis., and J. Mark Wilkinson, Summit, N.J., to the capital corporation's board. Ferguson had just retired from Northwestern Mutual Life Insurance Company, where he was chairman and chief executive officer. Wilkinson had recently retired as senior vice president of The Prudential Agricultural Group, the Prudential Insurance Company's agricultural investment arm. Previously elected by the Farm

Credit Banks were Leo A. Allmendinger, representing the Eighth (Omaha) Farm Credit District, John St. John, representing the Third (Columbia) Farm Credit District, and Gene L. Swackhamer, representing the Second (Baltimore) Farm Credit District.

The purpose of the corporation is to carry out a program of financial and technical assistance to troubled Farm Credit System institutions and their borrowers. It can acquire, hold, restructure, collect, and otherwise administer non-performing assets and acquired property. The capital corporation is intended as a vehicle through which the system can assist itself by transferring its surplus to those institutions in greatest need of capital. Generally, an institution would be eligible when its financial condition has deteriorated to a point where its continued operation is in doubt and assistance is necessary to continue service to its territory.

If a borrower whose nonperforming loan has been acquired by the capital corporation cannot reasonably be expected to meet loan servicing charges under refinanced, reamortized, or otherwise restructured terms and conditions acceptable to the corporation, the loan will be liquidated.

When the capital corporation sells the property formerly securing a liquidated loan it must make public notice of the sale, inform the previous owners of the sale and not preclude them from purchasing their former property, and avoid selling in large tracts.

In issuing regulations to implement the authorities of the capital corporation, the law requires the FCA to include standards that ensure the available capital and reserves of system institutions are committed to providing financial assistance to those system institutions in need of such assistance. The term "available capital and reserves" does not include capital stock, participation certificates, or equities allocated to borrowers that are not associations chartered under the act.

The law specifies that the capital corporation regulations shall:

- I. provide for an equitable sharing of the burden of assessments taking into account
- (a) the relative financial strength and ability of contributing institutions, (b) the effect,

including the effect on interest rates, on current borrowers of each system institution, and (c) the effect on lending rates of financial assistance already provided to other system institutions; and

2. be designed to ensure that (a) the capital strength, earning capacity, loanable funds and overall financial viability of each system institution providing funds to the capital corporation be maintained at such a level that credit shall continue to be available to eligible borrowers on reasonable and competitive terms, (b) each bank shall continue to have access to funds in the public financial markets, and (c) each bank is able to maintain adequate financial resources to satisfy its liability on its own obligations and on that portion of systemwide notes, bonds, debentures, or other obligations for which it is primarily liable.

The regulations were issued on March 13.

The law provides for a mechanism by which the system may obtain Federal financial assistance should that become necessary. It requires that the FCA Board certify to the Secretary of the Treasury that:

1. the system is in need of financial assistance to address financial stress in its institutions;
2. the system has committed its available capital surplus and reserves to address such financial stress;
3. the salaries and benefits of senior executive officers of system institutions (except associations) will be frozen; and
4. the system has used its capital and reserves to the extent that further contributions from, or losses incurred by, system institutions likely will preclude them from making credit available to eligible borrowers on reasonable terms.

Once the certification is made, the Secretary of the Treasury, at his discretion, could then purchase obligations of the capital corporation. That authority, however, would be effective for any fiscal year only to the extent or in such amounts as provided in advance by appropriations acts.

On December 31, 1986, the system had \$1.4 billion in earned surplus and \$3.6 billion in allowance for loan losses.

During 1986, 19 lawsuits were filed by system institutions challenging, on a variety of grounds, the provisions of the Farm Credit Amendments Act of 1985 and/or the FCA's regulations relating to the Farm Credit System Capital Corporation. These legal actions have limited the effectiveness of the capital corporation in carrying out its authorities.

Examination Function Expanded

The Farm Credit Amendments Act of 1985 expanded the Farm Credit Administration's regulatory and examination functions to include the direct examination of all Farm Credit System institutions. Before the 1985 amendments, the examination of Federal Land Bank Associations (FLBAs) and Production Credit Associations (PCAs) was delegated by the FCA to the Federal Land Banks (FLBs) and Federal Intermediate Credit Banks (FICBs), respectively. The FCA then evaluated the adequacy of the programs under which association credit reviews were conducted and risk controlled in the associations. In addition to conducting annual examinations of each Farm Credit Bank, FCA examiners conducted fiscal audits of each FLBA and PCA every 36 months to assess the adequacy of internal controls, compliance with consumer lending, and disclosure regulations.

The 1985 amendments provided a one-year implementation period during which the agency could make the adjustments necessary to comply with the requirement that it directly examine all system institutions at least once a year. However, to ensure the adequacy and reliability of the results of the banks' credit reviews, and that the credit portfolios of associations were properly evaluated during 1986, FCA examiners conducted field reviews concurrently with bank personnel. The FCA also required that the banks certify for each loan file that proper documentation existed regarding the loan, collateral, and legal security instruments so that FCA examiners and the institutions were better able to assess the risk in loan portfolios.

To effectively and efficiently implement its expanded role, the agency opened offices in Albany, New York; Atlanta, Georgia; Louisville, Kentucky; Omaha, Nebraska; Dallas, Texas; Oklahoma City, Oklahoma;

and Sacramento, California. It also expanded its offices in St. Louis, Missouri, and Bloomington, Minnesota. Offices in Spokane, Washington, and McLean, Virginia, were unchanged.

The Office of Examination expanded its staff from 156 to 334 during the year. It recruited approximately 110 examiners from 52 colleges and universities. Experienced examiners were hired from the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the General Accounting Office, the U.S. Department of Agriculture, and private industry.

A comprehensive training program was developed to familiarize new and existing examiners with the recently adopted Farm Credit Administration Examination Manual and to provide entry-level examiners with exposure to the principles of agricultural lending.

All field examiners attend a two-week comprehensive course called Conducting an Association Examination, which requires passing a written examination upon completion. Examiners also are required to complete a self-study course called Constructive Agricultural Lending.

The FCA examinations conducted in 1986 were aimed at assessing compliance with the law and regulations and the safety and soundness of the operations of the institutions. Before 1986, the FCA classified institutions into three categories of concern as a result of examinations. They were assigned a high, moderate, or low level of concern to reflect the level of operational deficiencies and management weaknesses and, thus, provide for the differential use of agency resources. This concept of differential examination allowed the agency to allocate resources to institutions with the most risk in

their loan portfolios or exhibiting the most deficient operating conditions. While still employing the concept of differential examination, the FCA began a pilot program during 1986 to adopt the Uniform Financial Institutions Rating System (UFIRS), the system used by most Federal regulators of financial institutions. The UFIRS was modified to properly provide for the cooperative and nondepository nature of system institutions and is called the FCA Rating System. It rates institutions on a scale of one to five in descending order. The agency assigned tentative ratings during 1986 to provide a basis for differential assignment of examination resources.

On December 31, 1986, 42 institutions were assigned a rating of one, 86 were assigned a two, 101 were assigned a three, 102 were assigned a four, and 93 were assigned a five.

FCA examinations conducted during 1986 continued to cite deficiencies in management practices, credit administration, asset quality, processes for establishing allowances for loan losses, and reporting problems causing inaccurate regulatory reports to the agency and disclosures to stockholders.

Supervision and Enforcement

The enforcement authorities contained in the Farm Credit Amendments Act of 1985 are similar to those of other Federal regulators of financial institutions—the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Reserve Board, the Federal Home Loan Bank Board, and the National Credit Union Administration. These authorities were established to provide the Farm Credit Administration with adequate authority to ensure that Farm Credit System institutions operate using safe and sound business practices and are in compliance with applicable laws, rules, and regulations.

Staffing Levels - December 31, 1986

Albany	7	Oklahoma City	23
Atlanta	44	Spokane	35
Louisville	23	Sacramento	21
St. Louis	35	Dallas	22
Bloomington	34	McLean	68
Omaha	22	Vacancies	48

The 1985 amendments provide for formal agreements, temporary cease and desist orders, cease and desist orders, and the removal of officers and directors of system institutions. The law also provides for the placement of institutions into conservatorship or receivership.

In response to the new legislation, the agency established and staffed a Supervision Division within the Office of Analysis and Supervision. The division 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 institution or the Farm Credit System.

2. To strengthen problem institutions through prompt responses to identified or potential problems.

Institutions requiring enforcement actions are referred to the Supervision Division by the Office of Examination based upon findings in examination reports. It is then the responsibility of the division to prepare appropriate enforcement documents, obtain approval from the Farm Credit Administration Board for proposed actions, execute the documents with the institution's board of directors, and monitor compliance with the requirements of the action.

As of December 31, 1986, enforcement documents had been executed with nine institutions. Four were operating under agreements and five under cease and desist orders.

The following are three examples of enforcement actions taken during the year.

The first involves a Production Credit Association (PCA) with assets of between \$500 million and \$1 billion. An examination revealed serious deterioration in the PCA's loan portfolio as evidenced by the continued rapid decline in loan quality and excessive loan losses. The deterioration threatened the institution's viability. Credit administration was unsatisfactory, credit and collateral documentation was inadequate, and it was in

violation of its own and its supervisory bank's policies and procedures. The history of the PCA's poor performance caused the examiners to question the ability of its management to correct the problems.

A cease and desist order was issued that required the PCA to (1) implement a program to reduce the level of adversely classified loans, (2) refrain from extending further credit to any borrower whose loan was adversely classified, (3) correct all credit and collateral documentation exceptions, (4) refrain from granting any new extensions of credit without obtaining and analyzing sufficient credit information, and (5) comply with its own and its supervisory bank's policies and procedures. In addition, the PCA was required to perform a management study, implement a management plan, and hire a senior lending officer responsible for its loan operations.

The second enforcement example involves a PCA with assets between \$100 million and \$500 million. An examination revealed serious deterioration in the quality of its loan portfolio. Much of the deterioration was the result of inadequate loan administration and overall credit management. The examiners cited violations of the PCA's own and its supervisory bank's policies and procedures and violations of FCA regulations. Examiners also reported a lack of effective procedures for identifying high risk loans and loan losses, a lack of adequate credit information in the loan files, a lack of adequate collateral documentation, and a lack of adequate controls over loan disbursements.

A formal agreement required the PCA to (1) implement a program to reduce the level of adversely classified loans, (2) refrain from extending further credit to any borrower whose loan was adversely classified, (3) appoint a senior loan officer to administer its loan operations, (4) establish a department for the management of problem loans, (5) correct all credit exceptions, (6) comply with FCA regulations and bank policies and procedures, (7) refrain from extending further credit without obtaining and analyzing sufficient credit information, (8) establish a loan review system, (9) implement a policy for the identification of and accounting for loan losses, and (10) establish policies and

procedures to ensure adequate control of loan disbursements.

The third example involves a bank with assets between \$500 million and \$1 billion. An examination revealed serious deterioration in the bank's loan portfolio. This resulted from the bank's failure to enforce district policies and require compliance with sound credit practices from its subordinate associations. In addition, the bank failed to accurately assess the risk in its loan portfolio. The extent of this risk threatened the institution's viability. Bank loan administration was unsatisfactory with violations of loan policy cited as the major cause. The pervasiveness of deficiencies caused the examiners to question management's ability to correct the problems.

A cease and desist order was issued that required the bank to (1) implement controls to ensure that its subordinate associations comply with bank policies and procedures, (2) require its associations to correct unsound credit practices and refrain from granting new extensions of credit without sufficient loan documentation, and (3) employ a capable person to establish and administer a new loan review system. In addition, the bank was required to perform a management study and implement a management plan.

Board Adopts Policy to Strengthen Loan Documentation

The Farm Credit Administration Board, at its August 5 meeting, approved a policy that requires Farm Credit System institutions to obtain current financial statements from borrowers when a loan is obtained, when any significant loan administration action is taken, and at the close of the borrower's fiscal year.

The policy, which applies to loans made by all system lending institutions, states that loan agreements should clearly establish the institution's enforceable right to obtain financial statements from borrowers. It also requires system institutions to have borrowers verify the accuracy of their financial statements and, where appropriate, be audited by an independent accountant.

To comply with the policy, system lending institutions must strengthen loan documentation by December 31, 1987. The policy also

outlines standards that system banks and associations must implement for all new loans made after September 1, 1986, and for all existing loans whenever a concessionary interest rate or a partial release of security is granted, or when the loan is renewed, extended, reamortized, or its terms otherwise modified to the benefit of the borrower.

The standards require that each system bank and association develop and implement a plan that (1) establishes the right of the institution to obtain a verified balance sheet and income statement from all borrowers at least annually and (2) requires borrowers to submit annually to the institution a verified balance sheet and income statement when their loans have a principal amount of more than \$100,000 or where more than 25 percent of the value of the collateral pledged is comprised of production or storage facilities.

Call Reports Issued

Call reports to obtain financial condition and performance information from Farm Credit System institutions were issued by the Farm Credit Administration on June 16, 1986. They requested all system institutions to file certified financial reports with the agency as of June 30, 1986.

The new call report system makes three primary changes. First, associations as well as banks and service organizations are now accountable for quarterly reporting to the FCA. In the past, the Federal Land Banks and Federal Intermediate Credit Banks were responsible for association reports. Second, additional disclosures to shareholders are now required quarterly, following the end of the fiscal year, and before meetings at which directors are elected. The third change requires designated officers and directors to certify that the reports are correct and comply with accounting and disclosure regulations.

The new financial reporting system is designed to enable the FCA to monitor accurately and reliably the financial condition and results of operations of all system institutions. This information is then used to measure each institution's financial condition against statutory, regulatory, and examination standards.

The reporting system also will be used in planning on-site examinations. Although the reports cannot be considered a substitute for examinations, by identifying trouble spots they can help agency management use resources where they are needed most.

Unusual difficulty in preparing timely and accurate financial reports may reflect underlying unsafe or unsound conditions or practices in the institutions and require that corrective actions be taken by the agency.

Board Denies PCA Liquidation Request

After holding three public hearings, the Farm Credit Administration Board, at its Aug. 28 meeting, denied a request by the Amarillo (Tex.) Production Credit Association to voluntarily liquidate and withdraw from the Farm Credit System.

It was the PCA's intent to incorporate under state law and either establish a discount relationship with the Federal Intermediate Credit Bank of Texas or find other sources of funding. By liquidating and withdrawing from the Farm Credit System, the PCA could also avoid providing its share of financial resources needed by the capital corporation to assist those system institutions in financial difficulty.

The board determined that allowing the liquidation would set a precedent that could jeopardize the financial integrity of the Tenth (Texas) Farm Credit District and perhaps the entire Farm Credit System. The board was particularly concerned about the effect of the withdrawal on the Farm Credit Act Amendments of 1985 and the ability of the Farm Credit System Capital Corporation to implement those amendments.

Regulatory Accounting Regulations Approved

The Farm Credit Administration Board, in a special meeting Dec. 18, approved guidelines for the use of Regulatory Accounting Practices (RAP) by Farm Credit System institutions.

The regulations, which went into effect December 24, implement the Farm Credit Act Amendments of 1986 authorizing system institutions to defer certain specified expenses for regulatory purposes beginning July 1, 1986, and ending December 31, 1988.

As these expenses are incurred, they can be capitalized rather than expensed and amortized for a period of up to 20 years. Deferring expenses as authorized under the 1986 amendments is not in accordance with Generally Accepted Accounting Principles (GAAP), the use of which is required by the 1985 amendments.

The regulations give reasonable latitude for implementation of RAP and leave the decision to use these accounting practices with the institutions. RAP allows institutions to defer and capitalize a portion of interest costs, premiums paid to retire high cost debt instruments, and provisions for loan losses. If an institution defers money set aside for anticipated loan losses, it must sign an agreement with the Farm Credit System Capital Corporation to correct operating deficiencies, control the management of high risk assets, and improve management efficiency.

To preserve the safety and soundness of system operations and to ensure continued service to borrowers, system institutions are prohibited from reversing any financial assistance provided by the Farm Credit System Capital Corporation, the 37-Bank Capital Preservation Agreement, or any other capital preservation/loss sharing program that was received or accrued before October 1, 1986.

Other provisions of the RAP regulations require system institutions to issue financial statements to stockholders in accordance with GAAP and disclose the use of RAP in footnotes. Institutions using RAP are also required to have a definitive plan for the retirement of capital stock and to clearly inform borrowers of that plan.

At-Large Director Elections Held

The at-large director election process established by the Farm Credit Amendments Act of 1985 will be implemented throughout the Farm Credit System by the end of 1987. The decision to hold the at-large director elections in the remaining eight Farm Credit Districts was made by the Farm Credit Administration Board at its September 3 meeting. At-large directors were previously appointed by the Governor of the Farm Credit Administration. Under the 1985 amendments, they are elected by all stockholders in the respective districts.

The board's decision called for the elections in the Third (Columbia), Sixth (St. Louis), Ninth (Wichita), and Twelfth (Spokane) Farm Credit Districts to be completed for directors whose terms were to expire December 31, 1986. The process will then begin to elect directors whose terms expire December 31, 1987, and December 31, 1988.

In the election process, the cycle of staggered, three-year terms will be maintained. At-large directors replacing appointed directors whose terms expire December 31, 1987 will serve three-year terms ending December 31, 1990. Those replacing directors whose terms expire December 31, 1988 will serve four-year terms ending December 31, 1991. At-large directors elected thereafter will serve three-year terms.

Advantages of the board's action are that it grants representation to the remaining four districts that did not have at-large director elections scheduled until 1988 and quickly implements local control provisions of the law. It also preserves staggered terms and provides for continuity on the boards to prevent any gap in service.

Agency Involved in Litigation

The Farm Credit Administration was involved in a number of lawsuits with the institutions under its jurisdiction and their stockholders during 1986.

In the following lawsuits, system institutions challenged, on a variety of grounds, the provisions of the Farm Credit Amendments Act of 1985 and/or FCA's regulations relating to the Farm Credit System Capital Corporation (12 U.S.C. 2216, *et. seq.*; 12 CFR 611.1140 *et. seq.*) or Capital Directive No. 1.

Albuquerque Production Credit Association v. FCA

Amarillo Production Credit Association, et al, v. FCA

Aroostook County Federal Land Bank Association, et al. v. FCA

Bryan Production Credit Association et al., v. FCA

Caprock-Plains Federal Land Bank Association, et al. v. FCA

Central Kentucky Production Credit Association, et al., v. FCA

Central Production Credit Association v. FCA

Colorado Springs Production Credit Association, et al., v. FCA

Federal Land Bank of Baltimore, et al., v. FCA

Federal Land Bank of Columbia v. FCA

Federal Land Bank of Sacramento, et al. v. FCA

Federal Land Bank of Springfield, et al. v. FCA

Federal Land Bank Association of Kingsbury v. FCA

Garden City Production Credit Association v. FCA

Great Plains Production Credit Association v. FCA

Northwest Louisiana Production Credit Association v. FCA

Production Credit Association of Eastern New Mexico v. FCA

Production Credit Association of Fourth District v. FCA

Sikeston Production Credit Association, et al. v. FCA

In the following lawsuits, system banks challenged, on a variety of grounds, 12 CFR 624.114, which prohibits system institutions from reversing any financial assistance that was received or accrued prior to October 1, 1986 from the capital corporation or pursuant to capital preservation/loss sharing programs. Some of these lawsuits also raised allegations with respect to FCA's regulations relating to Regulatory Accounting Practices (12 CFR 624.100 *et seq.*)

Federal Land Bank of Baltimore v. FCA

Federal Land Bank of Columbia v. FCA

Federal Land Bank of Spokane v. FCA

Federal Land Bank of Texas v. FCA

In *Federal Land Bank of St. Paul, et al. v. Federal Land Bank of Texas, et al.*, and *Federal Land Bank of Jackson, et al. v. Federal Land Bank of Columbia, et al.*, plaintiffs sought to enforce their contractual right to receive contributions under capital preservation agreements and require that FCA retain its regulations prohibiting reversals (12 CFR 624.114).

In the following lawsuits, plaintiffs have alleged impairment of equities as a result of capital preservation agreements and/or assessments by the capital corporation.

American Farm Credit Corp., et al., v. Federal Intermediate Credit Bank of Wichita, et al.

National Finance Credit Corporation of Texas v. Federal Intermediate Credit Bank of Texas and FCA

In the following lawsuits, system institutions challenged 12 CFR 611.1130, which sets forth the circumstances and procedures under which the FCA may direct the transfer of funds and equities between system institutions.

Caprock-Plains Federal Land Bank Association, et al., v. FCA

Eastern Idaho Production Credit Association v. FCA

Northern Ohio Production Credit Association v. FCA

The following lawsuit challenged the merger of all Production Credit Associations in the Eighth (Omaha) Farm Credit District.

Donnelly v. South Omaha Production Credit Association is a suit brought by stockholders in the South Omaha PCA against the FCA, the Federal Intermediate Credit Bank of Omaha, and the South Omaha PCA. In challenging the merger of all PCAs in the district into a single PCA, it alleged inadequate disclosure in violation of FCA regulations, arbitrary and capricious approval of disclosure materials by FCA, an unconstitu-

tional taking of the plaintiffs' stock, and breach of fiduciary trust by the PCA's directors. The complaint also challenged the constitutionality of FCA's merger regulations.

The following lawsuit challenged the joint management of the Farm Credit Banks of Texas.

Holman v. FCA is a suit brought by stockholders of the Federal Land Bank Associations in the Tenth (Texas) Farm Credit District against FCA, the Tenth District Farm Credit Board, and the president of the three Farm Credit Banks of Texas. It challenged, on a variety of constitutional and statutory bases, the district board's decision to place the Federal Land Bank, the Federal Intermediate Credit Bank, and the Bank for Cooperatives under joint management. The plaintiffs also alleged that representation on the district board should be proportional to the number of shareholders and percentage of total district assets held by the Federal Land Bank Associations, Production Credit Associations, and Bank for Cooperatives, and complain that the banks fail to distribute surplus or issue dividends. In addition, the complaint sought injunctive relief against the discharging, demoting, or transferring of any employee, officer, or representative of the Federal Land Bank of Texas or of any Federal Land Bank Association in Texas for any reason other than good cause or threatening to take any disciplinary action against such persons.

Two lawsuits challenged the borrower rights regulations (12 CFR 614.4440-4443)—*Kochenderfer Farms, Inc. v. FCA et al.*, and *Lanzi v. FCA* and the Federal Land Bank of Sacramento.

One suit challenged FCA's authority to liquidate Production Credit Associations and stop retirement of stock.

Wehrheim v. Federal Intermediate Credit Bank of Spokane is a suit brought by the borrower/stockholders of four Production Credit Associations in liquidation in the Twelfth (Spokane) Farm Credit District against the FCA, the Federal Intermediate Credit Bank of Spokane and the four associations in liquidation—Milk River, Western Montana, Glendive, and Western Washington Production Credit Associations.

The plaintiffs alleged they are entitled to the full value of their stock and all allocated equities of their respective associations and challenge FCA's authority to liquidate the associations and stop the retirement of equities of those in liquidation.

In addition to these specific cases, the agency has been named as a defendant in numerous lawsuits and countersuits arising out of foreclosure actions by Farm Credit System institutions, which attempt to draw the FCA into borrower-lender disputes, and lawsuits alleging unconstitutionality or

notorious conduct by the FCA in connection with its regulatory responsibilities. The FCA is also involved in a number of disputes involving litigants' attempts to acquire and use official FCA documents in litigation in which FCA is not a party.

Regulations Issued to Implement Law

Following is a listing of final regulations issued during 1986. The listing contains the part and section of the regulation, a brief description of its content, the Federal Register Citation, and the date of its publication.

Regulations List

Part/ Section No.	Subject	Federal Register Citation	Date Published
602	Releasing Information		
602.250	Official records of the Farm Credit Administration	51 Fed. Reg. 8656	3/13/86
620	Disclosure to Shareholders		
620.1	Definitions	51 Fed. Reg. 8657	3/13/86
620.2	Preparing, distributing, and filing the report	51 Fed. Reg. 8657	3/13/86
620.3	Contents of the annual report to shareholders	51 Fed. Reg. 8657	3/13/86
620.20	Preparing, distributing, and filing the information statement	51 Fed. Reg. 8660	3/13/86
620.21	Contents of the association annual meeting information statement	51 Fed. Reg. 8660	3/13/86
620.22	Prohibition against incomplete, inaccurate, or misleading disclosure	51 Fed. Reg. 8661	3/13/86
621	Accounting and Reporting Requirements		
621.1	Purpose and applicability	51 Fed. Reg. 8661	3/13/86
621.2	Definitions	51 Fed. Reg. 8661	3/13/86
621.3	Generally accepted accounting principles	51 Fed. Reg. 8663	3/13/86
621.4	Accrual basis of accounting	51 Fed. Reg. 8663	3/13/86
621.5	Nonperforming assets	51 Fed. Reg. 8663	3/13/86
621.6	Uncollectible interest on loans and similar assets-general rules	51 Fed. Reg. 8663	3/13/86
621.7	Chargeoff of losses on loans	51 Fed. Reg. 8664	3/13/86
621.8	Adjustments to book value of assets	51 Fed. Reg. 8664	3/13/86
621.9	Audit by qualified public accountant	51 Fed. Reg. 8664	3/13/86
621.10	Applicability and purpose	51 Fed. Reg. 8664	3/13/86
621.11	Contents and standards- general rules	51 Fed. Reg. 8665	3/13/86
621.12	Certification of correctness	51 Fed. Reg. 8665	3/13/86
611	Organization; Farm Credit System Capital Corporation		
611.1145	Redesignated as 611.1130	51 Fed. Reg. 8666	3/13/86
611.1150	Redesignated as 611.1135	51 Fed. Reg. 8666	3/13/86
611.1151	Redesignated as 611.1136	51 Fed. Reg. 8666	3/13/86

Regulations List

Part/ Section No.	Subject	Federal Register Citation	Date Published
611.1140	Charter and organization of the Farm Credit System Capital Corporation	51 Fed. Reg. 8666	3/13/86
611.1141	Corporation capitalization; classes of stock; dividends; transfers, exchanges, and retirements	51 Fed. Reg. 8668	3/13/86
611.1142	General corporate powers	51 Fed. Reg. 8669	3/13/86
611	Organization; Farm Credit System Capital Corporation		
611.1142(c)	General corporate powers	51 Fed. Reg. 16292	5/2/86
622	Rules of Practice and Procedure		
622.1	Scope of regulations	51 Fed. Reg. 21139	6/11/86
622.2	Definitions	51 Fed. Reg. 21139	6/11/86
622.3	Appearance and practice	51 Fed. Reg. 21139	6/11/86
622.4	Commencement of proceedings	51 Fed. Reg. 21140	6/11/86
622.5	Answer	51 Fed. Reg. 21140	6/11/86
622.6	Opportunity for informed settlement	51 Fed. Reg. 21140	6/11/86
622.7	Conduct of hearings	51 Fed. Reg. 21140	6/11/86
622.8	Rules of evidence	51 Fed. Reg. 21141	6/11/86
622.9	Subpoenas	51 Fed. Reg. 21141	6/11/86
622.10	Depositions	51 Fed. Reg. 21142	6/11/86
622.11	Motions	51 Fed. Reg. 21142	6/11/86
622.12	Proposed findings and conclusions; recommended decision	51 Fed. Reg. 21143	6/11/86
622.13	Exceptions	51 Fed. Reg. 21143	6/11/86
622.14	Briefs	51 Fed. Reg. 21143	6/11/86
622.15	Oral argument before the Board	51 Fed. Reg. 21143	6/11/86
622.16	Notice of submission to the Board	51 Fed. Reg. 21143	6/11/86
622.17	Decision of the Board	51 Fed. Reg. 21143	6/11/86
622.18	Filing	51 Fed. Reg. 21143	6/11/86
622.19	Service	51 Fed. Reg. 21144	6/11/86
622.20	Documents in proceedings confidential	51 Fed. Reg. 21144	6/11/86
622.21	Computing time	51 Fed. Reg. 21144	6/11/86
622.22	Retained authority	51 Fed. Reg. 21144	6/11/86
622.23-			
622.50	[Reserved]	51 Fed. Reg. 21144	6/11/86
622.51	Definitions	51 Fed. Reg. 21144	6/11/86
622.52	Purpose and scope	51 Fed. Reg. 21144	6/11/86
622.53	Notice of assessment of civil money penalty	51 Fed. Reg. 21144	6/11/86
622.54	Prenotice conference	51 Fed. Reg. 21144	6/11/86
622.55	Request for formal hearing on assessment	51 Fed. Reg. 21144	6/11/86
622.56	Waiver of hearing; Consent	51 Fed. Reg. 21144	6/11/86
622.57	Hearing on assessment	51 Fed. Reg. 21144	6/11/86
622.58	Assessment order	51 Fed. Reg. 21145	6/11/86
622.59	Relevant considerations	51 Fed. Reg. 21145	6/11/86
622.60	Payment of civil money penalty	51 Fed. Reg. 21145	6/11/86
622.61-			
622.75	[Reserved]	51 Fed. Reg. 21145	6/11/86
622.76	Definitions	51 Fed. Reg. 21145	6/11/86
622.77	Purpose and scope	51 Fed. Reg. 21145	6/11/86

Regulations List

Part/ Section No.	Subject	Federal Register Citation	Date Published
622.78	Suspension, prohibition or removal	51 Fed. Reg. 21145	6/11/86
622.79	Petition for informal hearing	51 Fed. Reg. 21145	6/11/86
622.80	Informal hearing	51 Fed. Reg. 21145	6/11/86
622.81	Default	51 Fed. Reg. 21146	6/11/86
622.82	Decision of the Board	51 Fed. Reg. 21146	6/11/86
622.83-			
622.100	[Reserved]	51 Fed. Reg. 21146	6/11/86
622.101	Definitions	51 Fed. Reg. 21146	6/11/86
622.102	Scope	51 Fed. Reg. 21146	6/11/86
622.103	Formal investigations are confidential	51 Fed. Reg. 21146	6/11/86
622.104	Order to conduct formal investigation	51 Fed. Reg. 21146	6/11/86
622.105	Conduct of investigation	51 Fed. Reg. 21146	6/11/86
622.106	Service of subpoena and payment of witness fees	51 Fed. Reg. 21146	6/11/86
622.107	Transcripts	51 Fed. Reg. 21147	6/11/86
623	Practice Before the Farm Credit Administration		
623.1	Scope of Part	51 Fed. Reg. 21147	6/11/86
623.2	Definitions	51 Fed. Reg. 21147	6/11/86
623.3	Who may practice	51 Fed. Reg. 21147	6/11/86
623.4	Suspension and debarment	51 Fed. Reg. 21147	6/11/86
623.5	Reinstatement	51 Fed. Reg. 21148	6/11/86
623.6	Duty to file information concerning adverse judicial or administrative action	51 Fed. Reg. 21148	6/11/86
623.7	Proceeding under this part	51 Fed. Reg. 21149	6/11/86
611	Organization; Farm Credit System Capital Corporation; Funding		
611.1142(h)	General corporate powers Funding	51 Fed. Reg. 21334	6/12/86
620	Disclosure to Shareholders		
620.2	Preparing, distributing, and filing the report	51 Fed. Reg. 21340	6/12/86
620.3	Contents of the annual report to shareholders	51 Fed. Reg. 21341	6/12/86
620.10	Preparing, distributing, and filing the report	51 Fed. Reg. 21341	6/12/86
620.11	Content of quarterly report to shareholders	51 Fed. Reg. 21341	6/12/86
620.20	Preparing, distributing, and filing the information statement	51 Fed. Reg. 21343	6/12/86
621	Accounting and Reporting Requirements		
621.2	Definitions	51 Fed. Reg. 21343	6/12/86
611	Organization		
611.1090	Request for district changes- general	51 Fed. Reg. 32441	9/12/86
611.1115	[Removed]	51 Fed. Reg. 32441	9/12/86
611.1121	Charter amendment procedures	51 Fed. Reg. 32441	9/12/86
611.1122	Requirements for mergers or consolidations	51 Fed. Reg. 32441	9/12/86
611.1123	Merger or consolidation agreements	51 Fed. Reg. 32442	9/12/86
611.1124	Territorial adjustments	51 Fed. Reg. 32442	9/12/86
611.1125	Treatment of associations not approving districtwide mergers	51 Fed. Reg. 32443	9/12/86
611.1155	General	51 Fed. Reg. 32443	9/12/86

Regulations List

Part/ Section No.	Subject	Federal Register Citation	Date Published
611.1156	Grounds for appointment of conservators and receivers	51 Fed. Reg. 32443	9/12/86
611.1157	Conservators and receivers	51 Fed. Reg. 32444	9/12/86
611.1158	Action for removal of conservator or receiver	51 Fed. Reg. 32444	9/12/86
611.1160	Appointment of receiver	51 Fed. Reg. 32444	9/12/86
611.1161	Powers and duties of the receiver	51 Fed. Reg. 32444	9/12/86
611.1165	Sale and transfer of loans	51 Fed. Reg. 32444	9/12/86
611.1167	Inventory, examination, audit, and reports to stockholders	51 Fed. Reg. 32445	9/12/86
611.1170	Appointment of receiver	51 Fed. Reg. 32446	9/12/86
611.1175	Inventory, examination, audit, and reports to stockholders	51 Fed. Reg. 32446	9/12/86
611.1180	Appointment of conservator	51 Fed. Reg. 32447	9/12/86
611.1181	Powers and duties of conservators	51 Fed. Reg. 32447	9/12/86
611.1182	Inventory, examination, audit, and reports to stockholders	51 Fed. Reg. 32447	9/12/86
611.1183	Final discharge and release of conservators	51 Fed. Reg. 32447	9/12/86
614	Loan Policies and Operations		
614.4365	Applicability	51 Fed. Reg. 39500	10/28/86
614.4366	Definitions	51 Fed. Reg. 39500	10/28/86
614.4367	Required disclosure	51 Fed. Reg. 39500	10/28/86
614.4440	Definitions	51 Fed. Reg. 39501	10/28/86
614.4441	Notice of action on loan application	51 Fed. Reg. 39502	10/28/86
614.4442	Credit review committees	51 Fed. Reg. 39502	10/28/86
614.4443	Review process	51 Fed. Reg. 39502	10/28/86
614.4444	Records	51 Fed. Reg. 39502	10/28/86
614.4510	General	51 Fed. Reg. 39502	10/28/86
614.4512	[Removed]	51 Fed. Reg. 39502	10/28/86
614.4513	Forbearance	51 Fed. Reg. 39502	10/28/86
615	Funding and Fiscal Affairs		
615.5255	Notice of retirement of capital stock and participation certificates	51 Fed. Reg. 39503	10/28/86
618	General Provisions		
618.8010	[Removed]	51 Fed. Reg. 39503	10/28/86
618.8020	[Removed]	51 Fed. Reg. 39503	10/28/86
618.8310	Lists of borrowers and stockholders	51 Fed. Reg. 39503	10/28/86
618.8325	Disclosure of loan documents	51 Fed. Reg. 39504	10/28/86
600	Organization and Functions		
600.1	Farm Credit Administration	51 Fed. Reg. 41933	11/20/86
600.2	Farm Credit Administration Board	51 Fed. Reg. 41933	11/20/86
600.3	Chairman of the Farm Credit Administration Board	51 Fed. Reg. 41933	11/20/86
600.4	Office of Administration	51 Fed. Reg. 41934	11/20/86
600.5	Office of Analysis and Supervision	51 Fed. Reg. 41934	11/20/86
600.6	Office of Congressional and Public Affairs	51 Fed. Reg. 41934	11/20/86
600.7	Office of Examination	51 Fed. Reg. 41934	11/20/86
600.8	Office of General Counsel	51 Fed. Reg. 41935	11/20/86
600.9	Other offices	51 Fed. Reg. 41935	11/20/86

Regulations List

Part/ Section No.	Subject	Federal Register Citation	Date Published
601	Employee Responsibilities and Conduct		
601.100	General policy	51 Fed. Reg. 41935	11/20/86
601.101	Responsibilities	51 Fed. Reg. 41935	11/20/86
601.110	Conflict of interest	51 Fed. Reg. 41935	11/20/86
601.126	Teaching, writing, and lecturing	51 Fed. Reg. 41936	11/20/86
601.127	Administrative approval to engage in outside employment	51 Fed. Reg. 41936	11/20/86
601.130	Farm Credit Administration examiners	51 Fed. Reg. 41936	11/20/86
601.140	Political activity	51 Fed. Reg. 41936	11/20/86
601.141	Prohibition against involvement in Farm Credit System elections of board members	51 Fed. Reg. 41936	11/20/86
601.150	Distribution of printed material by employees	51 Fed. Reg. 41936	11/20/86
601.165	Foreign decorations	51 Fed. Reg. 41937	11/20/86
601.170	Statements of employment and financial interests	51 Fed. Reg. 41937	11/20/86
601.171	Time and place for submission of statements	51 Fed. Reg. 41937	11/20/86
601.176	Confidentiality of statements	51 Fed. Reg. 41937	11/20/86
601.178	Review of statements	51 Fed. Reg. 41937	11/20/86
601.180	Special Government employees	51 Fed. Reg. 41937	11/20/86
601.190	[Removed]	51 Fed. Reg. 41938	11/20/86
602	Releasing Information		
602.200	General rule	51 Fed. Reg. 41938	11/20/86
602.205	Farm Credit Administration examination reports	51 Fed. Reg. 41938	11/20/86
602.210	[Removed]	51 Fed. Reg. 41938	11/20/86
602.215	Data regarding borrowers and loan applicants	51 Fed. Reg. 41938	11/20/86
602.220	Waiver of restrictions	51 Fed. Reg. 41938	11/20/86
602.235	[Removed]	51 Fed. Reg. 41938	11/20/86
602.240	[Removed]	51 Fed. Reg. 41938	11/20/86
602.245	[Removed]	51 Fed. Reg. 41938	11/20/86
602.260	Request for records	51 Fed. Reg. 41938	11/20/86
602.261	Response to requests for records	51 Fed. Reg. 41939	11/20/86
602.265	Fees for provision of records	51 Fed. Reg. 41939	11/20/86
602.280	General purposes	51 Fed. Reg. 41939	11/20/86
602.281	Definitions	51 Fed. Reg. 41940	11/20/86
602.282	General policy	51 Fed. Reg. 41940	11/20/86
602.283	Request for testimony or production of documents	51 Fed. Reg. 41940	11/20/86
602.284	Scope of permissible testimony	51 Fed. Reg. 41940	11/20/86
602.285	Manner in which testimony is given	51 Fed. Reg. 41940	11/20/86
602.286	Manner in which documents will be produced	51 Fed. Reg. 41940	11/20/86
602.288	Responses to demands served on FCA employees	51 Fed. Reg. 41940	11/20/86
602.289	Responses to demands served on non-FCA employees or entities	51 Fed. Reg. 41941	11/20/86
603	Privacy Act Regulations		
603.300	Purpose and Scope	51 Fed. Reg. 41941	11/20/86
603.305	Definitions	51 Fed. Reg. 41941	11/20/86
603.310	Procedures for requests pertaining to individual records in a record system	51 Fed. Reg. 41941	11/20/86
603.315	Times, places and requirements for identification of individuals making requests	51 Fed. Reg. 41941	11/20/86
603.320	Disclosure of requested information to individuals	51 Fed. Reg. 41941	11/20/86
603.325	Special procedures for medical records	51 Fed. Reg. 41942	11/20/86

Regulations List

Part/ Section No.	Subject	Federal Register Citation	Date Published
603.330	Request for amendment to record	51 Fed. Reg. 41942	11/20/86
603.340	Appeal of an initial adverse determination of a request to amend a record	51 Fed. Reg. 41942	11/20/86
604	Farm Credit Administration Board Meetings		
604.400	Definitions	51 Fed. Reg. 41942	11/20/86
604.405	Notice of public observation	51 Fed. Reg. 41942	11/20/86
604.410	Scope of application	51 Fed. Reg. 41942	11/20/86
604.415	Open meetings	51 Fed. Reg. 41943	11/20/86
604.420	Exemptive provisions	51 Fed. Reg. 41943	11/20/86
604.425	Announcement of meetings	51 Fed. Reg. 41943	11/20/86
604.430	Closure of meetings	51 Fed. Reg. 41943	11/20/86
604.435	Record of closed meetings or closed portion of a meeting	51 Fed. Reg. 41943	11/20/86
604.440	Requests for information	51 Fed. Reg. 41944	11/20/86
611	Organization		
611.100	The Farm Credit Act	51 Fed. Reg. 41944	11/20/86
611.200	[Removed]	51 Fed. Reg. 41944	11/20/86
611.400	System organization	51 Fed. Reg. 41944	11/20/86
611.500	District territories	51 Fed. Reg. 41944	11/20/86
611.1000	Organization—district boards of directors	51 Fed. Reg. 41945	11/20/86
611.1010	Powers, duties, and responsibilities	51 Fed. Reg. 41945	11/20/86
611.1120	General authority	51 Fed. Reg. 41945	11/20/86
611.1130	Inter-System transfer of funds and equities	51 Fed. Reg. 41945	11/20/86
611.1135	Incorporation of service organizations	51 Fed. Reg. 41945	11/20/86
611.1168	Final discharge and release of receiver	51 Fed. Reg. 41945	11/20/86
611.1174	Creditor's claims and priority of claims	51 Fed. Reg. 41946	11/20/86
611.1176	Final discharge and release of receiver	51 Fed. Reg. 41946	11/20/86
612	Personnel Administration		
612.2130	Definitions	51 Fed. Reg. 41946	11/20/86
612.2150	Employees—prohibited acts	51 Fed. Reg. 41946	11/20/86
612.2200	Soliciting support in election polls for associations or district board membership	51 Fed. Reg. 41946	11/20/86
612.2220	Political activity	51 Fed. Reg. 41946	11/20/86
613	Eligibility and Scope of Financing		
613.3170	Equal housing lender poster	51 Fed. Reg. 41947	11/20/86
614	Loan Policies and Operations		
614.4010	[Removed]	51 Fed. Reg. 41947	11/20/86
614.4015	[Removed]	51 Fed. Reg. 41947	11/20/86
614.4020	[Removed]	51 Fed. Reg. 41947	11/20/86
614.4260	Banks for cooperatives	51 Fed. Reg. 41947	11/20/86
614.4450	General requirements	51 Fed. Reg. 41947	11/20/86
614.4460	Loan approval responsibility	51 Fed. Reg. 41947	11/20/86
614.4590	General financing agreement	51 Fed. Reg. 41947	11/20/86
614.4710	Bankers acceptance financing	51 Fed. Reg. 41947	11/20/86
614.4900	Foreign exchange	51 Fed. Reg. 41948	11/20/86

Regulations List

Part/ Section No.	Subject	Federal Register Citation	Date Published
615	Funding and Fiscal Affairs		
615.5250	Responsibility	51 Fed. Reg. 41948	11/20/86
615.5453	Definitive bonds	51 Fed. Reg. 41948	11/20/86
615.5495	Lost, stolen, destroyed, mutilated or defaced Farm Credit securities, including coupons	51 Fed. Reg. 41948	11/20/86
617	Examinations and Investigations		
617.7000	Farm Credit System institutions	51 Fed. Reg. 41948	11/20/86
617.7020	Other financing institutions	51 Fed. Reg. 41948	11/20/86
617.7030	Farm Credit Administration examiners' responsibilities		
617.7050	[Removed]	51 Fed. Reg. 41949	11/20/86
617.7060	[Removed]	51 Fed. Reg. 41949	11/20/86
617.7070	Coverage	51 Fed. Reg. 41949	11/20/86
617.7080	Reports	51 Fed. Reg. 41949	11/20/86
617.7100	[Removed]	51 Fed. Reg. 41949	11/20/86
618	General Provisions		
618.8100	Farm Credit Administration	51 Fed. Reg. 41949	11/20/86
618.8150	[Removed]	51 Fed. Reg. 41949	11/20/86
618.8340	Information regarding personnel	51 Fed. Reg. 41949	11/20/86
618.8350	[Removed]	51 Fed. Reg. 41949	11/20/86
618.8400	National Archives and Records Administration regulations	51 Fed. Reg. 41950	11/20/86
618.8410	Transfers to Federal Records Center	51 Fed. Reg. 41950	11/20/86
620	Disclosure to Shareholders		
620.1	Definitions	51 Fed. Reg. 42086	11/21/86
620.3	Contents of the annual report to shareholders	51 Fed. Reg. 42087	11/21/86
621	Accounting and Reporting Requirements		
621.2	Definitions	51 Fed. Reg. 42087	11/21/86
620	Disclosure to Shareholders		
620.3	Contents of the annual report to shareholders	51 Fed. Reg. 44783	12/12/86
621	Accounting and Reporting Requirements		
621.2	Definitions	51 Fed. Reg. 44783	12/12/86
624	Temporary Regulations		
624.100	General	51 Fed. Reg. 46600	12/24/86
624.101	Definitions	51 Fed. Reg. 46600	12/24/86
624.102	Deferral of interest costs on debt	51 Fed. Reg. 46600	12/24/86
624.103	Deferral of the provisions for loan losses	51 Fed. Reg. 46601	12/24/86
624.104	Retirement of equities	51 Fed. Reg. 46601	12/24/86
624.110	General	51 Fed. Reg. 46601	12/24/86
624.111	Deferral of interest costs	51 Fed. Reg. 46601	12/24/86
624.112	Deferral of the provision for loan losses	51 Fed. Reg. 46601	12/24/86
624.113	Financial reporting and disclosure	51 Fed. Reg. 46601	12/24/86
624.114	Financial assistance	51 Fed. Reg. 46601	12/24/86

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 in advance the amounts so apportioned from the institutions among which the apportionment is made.

The amounts collected are deposited into the U.S. Treasury and credited to a special fund and, without regard to other law, shall be available to the Farm Credit Administration for expenditure during each fiscal year for salaries and expenses of the Farm Credit Administration.

Following are the actual expenditures for fiscal year 1986 and estimated expenditures for fiscal year 1987.

Object Classifications in Thousands of Dollars

Object Class	1986 Actual	1987 Estimated
Personnel compensation:		
Full-time permanent	\$12,028	\$19,371
Other than full-time permanent	587	468
Other personnel compensation	241	559
Special personnel services	163	452
Total personnel compensation	13,019	20,850
Personnel benefits	1,961	4,672
Benefits for former personnel	28	0
Travel and transportation	1,892	6,426
Transportation of things	249	606
Communications, utilities, rent	1,064	954
Printing and reproduction	275	341
Other services	1,365	2,679
Supplies and materials	559	716
Equipment	1,443	855
Total obligations	\$21,855	\$38,099

The Farm Credit System

The Farm Credit System is a cooperatively owned group of banks, associations, and service organizations that provides credit and credit related services to farmers, ranchers, rural homeowners, producers and harvesters of aquatic products, and selected farm related businesses. It also provides credit and related services to agricultural, aquatic, and rural public utility cooperatives. The system serves all 50 states and Puerto Rico.

All system institutions are Federally chartered instrumentalities of the United States and operate under authorities contained in the Farm Credit Act of 1971, as amended.

The Farm Credit System is divided into 12 Farm Credit Districts. In each 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 in Denver, Colo. The system's service organizations are the Farm Credit Corporation of America, Denver, Colo., which provides leadership and strategic planning services; the Federal Farm Credit Banks Funding Corporation, New York, N.Y., which markets the securities issued by the Farm Credit Banks to raise loan funds; the Farm Credit Leasing Services Corporation, Minneapolis, Minn., which leases or arranges leases for a variety of equipment and facilities for cooperatives and their producers; and the Farm Credit System Capital Corporation, which provides technical and financial assistance to troubled system institutions and their borrowers as described in detail earlier.

The three Farm Credit Banks in all but one district are operated under common management, though they are separate legal entities. While common management has been in effect for some time in several districts, most have adopted it in recent years.

The Federal Land Banks and Federal Intermediate Credit Banks supervise and exercise significant control over the activities of the respective Federal Land Bank Associations (FLBAs) and Production Credit Associations (PCAs) in their districts.

Federal Land Banks-Federal Land Bank Associations

The 12 Federal Land Banks make long term loans secured by first mortgages on real

estate. Loans are made through approximately 230 Federal Land Bank Associations, most of which have branch offices. In recent years, a number of FLBAs have merged, and some have common management with PCAs serving the same territory. Commonly managed FLBA and PCA offices are often referred to as Farm Credit Services.

Federal Land Banks make loans for a variety of purposes, including the purchase of farms, farm land, machinery, equipment, and live-stock; refinancing existing mortgages and paying other debts; constructing and repairing buildings; making land improvements; and financing other farm, farm home, or farm family needs. Loans can also be made for the purchase or construction of rural homes, for real estate needed for aquatic operations, and to certain farm related businesses.

Loans made by the Federal Land Banks have terms of from 5 to 40 years. Loans can be made in amounts of up to 85 percent of the market value of the real estate security; 97 percent if the loan is guaranteed by a government agency.

As a statutory condition to obtaining a loan, a borrower must purchase stock in the FLBA equal to at least 5 percent of the amount borrowed. The purchase price of the stock generally comes from the loan proceeds. The association purchases the same amount of stock in the Federal Land Bank. When the loan is repaid, the stock is retired at par or book value, whichever is less, pursuant to the Farm Credit Act and Federal regulations.

Federal Intermediate Credit Banks - Production Credit Associations

The 12 Federal Intermediate Credit Banks provide short and intermediate term loans to approximately 150 Production Credit Associations and to other financing institutions serving agricultural producers. A number of PCAs have merged in recent years, and some have common management with the FLBAs. Most PCAs also have branch offices.

Production Credit Associations are primary lenders, but obtain most of their loans funds from the FICBs, commercial banks, and one another in making loans.

Production Credit Associations serve the same clientele as the Federal Land Banks. Most of their loans are made for production or operating purposes and mature within a year. Farm and rural home loans, however, may have terms of up to 10 years, and loans to producers or harvesters of aquatic products may be made for up to 15 years.

Like borrowers from the Federal Land Banks, PCA borrowers also must purchase stock in the associations amounting to at least 5 percent of their loans. The stock is generally bought using proceeds from the loan and may be retired at par or book value, whichever is less, pursuant to the law and regulations. Ordinarily, stock is retired either when the loan balance equals the amount of the stock obligation or pro rata as principal payments are made. However, there are no statutory provisions for pro rata stock retirement.

Production Credit Associations and other financing institutions that receive loan funds from the FICBs, invest in the banks through the purchase of capital stock or participation certificates. They may also receive stock and participation certificates as distributions of bank earnings.

Banks for Cooperatives

The 12 district Banks for Cooperatives make loans to agricultural, aquatic, and rural utility cooperatives within their respective territories. The Central Bank for Cooperatives participates with the district banks in loans that exceed their individual lending capacity and handles international transactions of borrowing cooperatives. The Banks for Cooperatives may participate with commercial banks or with one another in filling the credit needs of their borrowers.

For a cooperative to be eligible to borrow from a Bank for Cooperatives, 80 percent of its voting control must be in the hands of agricultural or aquatic producers or federations of cooperatives in which control is so held. This may be reduced to 60 percent for certain farm supply cooperatives. Entities eligible to borrow from the Rural Electrification Administration or the Rural Telephone Bank are also eligible to borrow from the Banks for Cooperatives. To be eligible, a cooperative must do at least 50 percent of its business with its members. However,

business done with the U.S. Government or services and supplies furnished by the cooperative as a public utility are excluded from this requirement.

A cooperative must own at least one share of stock in a district Bank for Cooperatives to obtain a loan. Each district bank also has a program that provides for its capitalization by borrowers on an equitable basis.

Borrower Control of the Farm Credit System

The Federal Land Bank, Federal Intermediate Credit Bank, and Bank for Cooperatives in each Farm Credit District are under the control of a single, seven-member board of directors, which deals with each bank individually and with matters affecting all three banks.

Two directors are elected by the district's Federal Land Bank Associations, two by its Production Credit Associations, and two by cooperatives that own stock in the district Bank for Cooperatives. The seventh member is elected by the borrowers at large in the district.

Stockholders of the Federal Land Bank Associations and Production Credit Associations elect their boards of directors from among themselves.

The board of directors of the Central Bank for Cooperatives has 13 members. Twelve of its members are elected—one each—by the district Farm Credit Boards. The thirteenth is appointed by the Farm Credit Administration.

Conditions in the Farm Sector

Continued financial stress in the farm sector over several years has contributed to weaknesses in many dimensions of the financial performance of the institutions of the Farm Credit System. As a single-industry lender, the system has been severely affected by declining agricultural land values, dwindling export markets, and other economic events impairing the repayment capacity of agricultural borrowers.

Developments in the farm sector during 1986 were greatly influenced by the Food Security Act of 1985. Market prices for program crops dropped sharply, mostly because the new policy instruments isolated less of the commodity from the marketplace. Lower

prices, however, did not substantially reduce the net incomes of crop producers. Most were enrolled in the commodity programs and received the benefits of target price protection. In addition, the farm programs meant lower feed costs for those livestock producers who purchased most of their feed. The summer months offered record-high feeding margins for red meat and poultry producers.

Because the cattle and hog industries continued to liquidate herds throughout most of the year, meat production was sustained at record levels. The Dairy Herd Termination Program, which paid farmers to liquidate their entire herds and remain out of the dairy business for five years, also added to meat supplies in 1986. The large supplies of red meat and poultry tempered the growing pressures for price strength until late in the year.

Financial measures for the farm sector showed both strengths and weaknesses during 1986. According to preliminary estimates of the U.S. Department of Agriculture, total net farm income declined slightly to near \$29 billion, while net cash farm income held at a record high \$44 billion. Cash receipts from marketings were at their lowest level in seven years because of low market prices. But direct Government payments, in the form of both cash and in-kind payments, were a record \$12 billion. The cost cutting efforts of farmers also played a major role in maintaining net income. Total farm production expenses dropped for the fourth consecutive year in 1986. Farmers also cut back on capital purchases and maintenance expenses, as well as on their use of credit.

Though Government farm programs provided a substantial degree of stability to the sector's income flow, farm assets continued to decline in value. Total farm assets declined an estimated 7 to 8 percent in 1986, mostly because farm real estate values dropped 8 percent, or about \$50 billion. The decline made 1986 the fifth consecutive year farm assets have fallen.

Although farm debt declined for the fourth consecutive year, the trend was more gradual, causing steady increases in the sector's overall debt-to-asset ratio. Since the late 1970s, this ratio has gone from about 17 percent to 26 percent in 1986.

Financial Condition of the Farm Credit System

The financial condition of the Farm Credit System continued to deteriorate during 1986. The results show a decline in credit quality, significant operating losses, and further reductions in total earned capital.

On December 31, 1986, the system had net loans outstanding of \$54.6 billion, a decrease of \$12 billion from the \$66.6 billion outstanding a year earlier. In addition to loan charge-offs, the decline of 18 percent in loan volume can be attributed to (1) farmers generally choosing to operate with less debt to improve their financial positions, (2) commercial banks offering lower interest rates based on their marginal cost of funds vis-a-vis the system having to contend with a relatively high average cost of funds, (3) a doubling of loans outstanding by the Commodity Credit Corporation that diminished the need for operating credit from Production Credit Associations, and (4) the weakening financial position of the system that resulted in some borrowers paying off their loans in order to liquidate their holdings of capital stock in system institutions.

Non-accrual loans increased to \$7.1 billion on December 31, 1986, from \$5.3 billion a year earlier. Another \$5.7 billion in loans were classified as high risk at the end of 1986, compared to \$4 billion so classified at the end of 1985. Other property owned by the system, obtained through foreclosure or voluntary conveyance, increased to \$1.1 billion on December 31, 1986, from \$928 million on December 31, 1985. That means nearly 25 percent of the system's loans and loan related assets were adversely classified at the end of 1986. At the end of 1985, 15 percent of loans and loan related assets were adversely classified.

Provisions for loan losses were \$1.8 billion for 1986, and net charge-offs were \$1.4 billion. In 1985, they were \$2.9 billion and \$1.1 billion, respectively.

The system's allowance for loan losses increased to \$3.6 billion, or 6.2 percent of outstanding loans, at December 31, 1986, compared to \$3.2 billion, or 4.5 percent of outstanding loans, on December 31, 1985.

The Farm Credit System had net operating losses of \$1.9 billion in 1986, compared to operating losses of \$2.7 billion in 1985.

On December 31, 1986, the system had \$9.2 billion in total risk funds, consisting of \$3.6 billion in allowance for loan losses, \$1.4 billion in surplus, and \$4.2 billion in capital stock and participation certificates. A year earlier, it had \$11.6 billion in total risk funds, consisting of \$3.2 billion in allowance for loan losses, \$3.4 billion in surplus, and \$5.0 billion in capital stock and participation certificates.

The financial condition of the system caused its independent accountants to render a qualified opinion at the end of 1986, expressing uncertainty "whether the system will be able to return to profitability in the near future and continue to obtain adequate financing without some form of external assistance..." The accountants further expressed reservations as to the ability of the system to "continue in its present form."

Details of the financial condition of the system and its component parts may be found in Tables 1 through 49.

Financial Condition of the Federal Land Banks

The 12 Federal Land Banks had \$38.3 billion in net loans outstanding on December 31, 1986, a decrease of 18 percent from the \$46.9 billion in loans outstanding a year earlier. Included at the end of 1986 were \$5.8 billion in non-accrual loans, an increase of 45.3 percent over the \$4.0 billion in non-accrual loans at the end of 1985. Also included at the end of 1986 were \$4.6 billion in high risk loans, compared to \$3.4 billion in high risk loans a year earlier. Net acquired property increased by 26 percent, from \$722 million at the end of 1985 to \$909 million at the end of 1986. Consequently, a total of \$11.4 billion of the loans and loan related assets of the Federal Land Banks were adversely classified at the end of 1986, compared to \$8.1 billion so classified at the end of 1985.

Loan charge-offs during 1986 totaled \$938 million, compared to \$460 million in 1985, while provisions for loan losses decreased from \$2.0 billion to \$1.5 billion. Allowance for losses increased from \$2.1 billion at the end of 1985 to \$2.6 billion at the end of 1986.

Net operating losses for 1986 were \$1.4 billion, down from the \$2.0 billion in 1985.

Capital and surplus declined from \$3.7 billion at the end of 1985 to \$2.0 billion at the end of 1986, with the surplus account turning negative when reported under Generally Accepted Accounting Principles (GAAP). Capital stock would have been valued at less than par under GAAP in seven Federal Land Banks—one in the fourth quarter of 1985 and six in the third quarter of 1985—had it not been for the triggering of a 37-Bank Capital Preservation Agreement.

Financial Condition of the Federal Intermediate Credit Banks

The 12 Federal Intermediate Credit Banks had net loans and discounts outstanding to Production Credit Associations and other financial institutions of \$10.8 billion on December 31, 1986. This was \$3.1 billion, or 22 percent, less than the \$13.9 billion outstanding a year earlier.

Non-accrual loans declined nearly 11 percent, from \$193 million to \$172 million and other high risk loans rose from \$4.8 billion to \$5.9 billion. Acquired property rose only slightly, from \$23 million to \$26 million. Therefore, \$6.1 billion of the loans and loan related assets of the FICBs were adversely classified at the end of 1986, compared to \$5.0 billion of adversely classified loans and loan related assets at the end of 1985.

Financial Condition of the Production Credit Associations

The Production Credit Associations had net loans outstanding of \$10.7 billion on December 31, 1986, a decrease of 24.7 percent from the \$14.2 billion outstanding a year earlier.

Non-accrual loans increased 14.2 percent, from \$891 million at the end of 1985 to \$1.0 billion at the end of 1986, and other high risk loans declined slightly, from \$1.4 billion to \$1.3 billion. Net acquired property decreased from \$161 million to \$142 million. Thus, adversely classified loans and loan related assets totaled \$2.4 billion on December 31, 1986, and \$2.5 billion on December 31, 1985.

Provisions for loan losses dropped dramatically, from \$722 million in 1985 to \$355 million in 1986. The allowance for losses account increased slightly, from \$666 million at the end of 1985 to \$688 million at the end of 1986.

The PCAs had net operating losses of \$275 million in 1986, less than half their \$600 million in losses in 1985.

Total capital in the PCAs declined from \$2.8 billion on December 31, 1985 to \$2.2 billion on December 31, 1986. Surplus also declined, from \$1.3 billion at the end of 1985 to \$1.1 billion at the end of 1986. Surplus in the PCAs peaked at \$2 billion in 1983.

Nearly three-fourths of the net worth of the Farm Credit System is in the PCAs where it is tied up in litigation and a reluctance by associations to deplete their surpluses.

Financial Condition of the Banks for Cooperatives

The 13 Banks for Cooperatives had \$7.4 billion in loans outstanding on December 31, 1986, a decline of 10 percent from the \$8.1 billion outstanding a year earlier. Non-accrual loans declined from \$131 million to \$48 million for the period, and other high risk loans declined from \$338 million to \$258 million. The banks were holding \$11.2 million in acquired property at the end of 1985 and \$15.5 million at the end of 1986. Their allowance for losses account increased from \$132 million at the end of 1985 to \$146 million at the end of 1986.

The banks had net earnings of \$589,000 in 1986, compared to \$66 million in 1985. But if they had not provided funds to aid weaker Farm Credit System institutions, their 1986 net earnings would have been \$78 million and 1985 net earnings would have been \$82 million.

At the end of 1986, the Banks for Cooperatives had \$771 million in capital stock and \$303 million in total earned net worth. At the end of 1985, their capital stock stood at \$883 million and earned net worth at \$333 million.

Farm Credit System Funding

The institutions of the Farm Credit System obtain the majority of their loan funds through the sale of securities—bonds and discount notes—to investors in the Nation's capital markets. These securities are the joint and several liability of the 37 Farm Credit Banks and are not guaranteed by the U.S. Government.

The system reduced its overall debt portfolio by \$6.5 billion during 1986 and had \$62.1 billion in securities outstanding at the end of the year. The funding operation reflected the decline in loan volume of system institutions, but was also characterized by a distinct shift in the overall maturity pattern of the portfolio, particularly that portion subscribed to by the Federal Land Banks.

System bond activity included \$31.3 billion maturing, with new issues totaling \$21.5 billion, yielding a \$9.8 billion paydown in the bond portfolio. The system retired \$11.3 billion in long term bonds, but only \$4.3 billion in new bonds or re-openings were issued because of the investor uncertainty of the financial prospects of the system that permeated the markets.

Discount note activity, however, remained active. Notes outstanding grew from \$5.2 billion in December 1984, to \$10.8 billion in December 1985, to a record \$14 billion in late 1986.

Lower rates, narrower spreads over U.S. Treasury issues, and the shortening of the maturity pattern through the use of discount notes contributed to a reduction in the system average cost of funds. It fell to 9.2 percent by early December 1986 from 10.6 percent at the beginning of the year. The average rate paid on a new six-month issue, for example, was 6.7 percent during the year, but in the final quarter it was closer to 5.75 percent. These were the lowest costs in nearly a decade. In 1985, the system paid an average of 8.3 percent. The system is still plagued by rates as high as 15.65 percent on some of its outstanding bonds and issues that will not mature until the year 2007.

The Federal Land Banks were able to lower their average cost of funds from 11.3 percent in January 1986 to 10.2 percent in December. The FLBs retired \$8.9 billion in term bonds during the year, with a weighted average cost of 12.75 percent, and doubled their outstanding issues of discount notes from \$2.2 billion to \$4.4 billion. But the FLBs still have the cyclical problems during periods of falling market rates of their average cost of debt being significantly higher than their marginal cost.

Because the Federal Intermediate Credit Banks and Banks for Cooperatives have a higher proportion of short term securities in their portfolios than the FLBs, they were able to realize greater reductions in average costs. Their average debt costs at the end of 1986 were 7.4 percent and 7.5 percent respectively, both down from 9.2 percent at the beginning of the year.

Young, Beginning, and Small Farmers

The law requires that under policies adopted by the district Farm Credit Boards, each Federal Land Bank Association and each Production Credit Association shall prepare a program for furnishing sound and constructive credit and related services to young, beginning, and small farmers and ranchers.

System bank and association programs for young, beginning, and small farmers during 1986 were largely unchanged from those previously reported. Activities under these programs decreased in comparison to previous years and relative to overall lending activity. These developments reflect an economic environment that resulted in substantially lower lending activity and not in paydowns of existing accounts. Economic incentives over the past several years have been more inclined toward existing producers rather than those entering the business, especially entrants with limited experience and/or financial resources.

The Federal Land Banks made only about one-half as many loans in 1986 as they did in 1985 and about one-third as many as in 1984. The proportion of loans to borrowers under the age of 35 dropped to about 16 percent, compared with 18 percent reported in 1985 and 20 percent reported in 1984. The proportion of loan closings associated with borrowers having a net worth of less than \$100,000 increased to 23 percent in 1986, up from 15 percent in 1985 and 17 percent in 1984. Of those with a small net worth, 34 percent were classified young in 1986, compared to nearly 50 percent for the two previous years.

A sampling of all Production Credit Association loan accounts in 1986 showed that 16.6 percent were associated with young borrowers, compared with 20.5 percent during the previous two years. In 1986, 10 percent of PCA borrowers reported they had less than five years farming experience and 23 percent had less than 10 years. About one-third of the 1986 borrowers had a net worth of less than \$100,000. More than one-third of these small farmers were young, and they accounted for nearly three-quarters of all young PCA borrowers during 1986.

The selected borrower characteristics for loans made during 1986 and loans outstanding on December 31, 1986, in Tables 47, 48, and 49, summarize the results of these programs.

Farm Credit System Districts



Index of Financial Tables

1	Farm Credit System Combined Statement of Condition	29
2	Farm Credit System Combined Statement of Operations	29
3	Farm Credit System Five-Year Summary of Selected Combined Financial Data	30
4	Farm Credit System Summary of Financial Condition	30
5	Farm Credit System Summary of Income and Expenses	31
6	Farm Credit System Summary of Selected Financial Measures	31
7	Federal Land Banks Combined Trends in Financial Condition	31
8	Federal Land Banks Combined Trends in Income and Expenses	32
9	Federal Land Banks Combined Trends in Selected Financial Measures	32
10	Federal Land Bank Associations Combined Trends in Financial Condition	32
11	Federal Land Bank Associations Combined Trends in Income and Expenses	33
12	Federal Land Bank Associations Combined Trends in Selected Financial Measures	33
13	Federal Intermediate Credit Banks Combined Trends in Financial Condition	34
14	Federal Intermediate Credit Banks Combined Trends in Income and Expenses	34
15	Federal Intermediate Credit Banks Combined Trends in Selected Financial Measures	34
16	Production Credit Associations Combined Trends in Financial Condition	35
17	Production Credit Associations Combined Trends in Income and Expenses	35
18	Production Credit Associations Combined Trends in Selected Financial Measures	35
19	Banks for Cooperatives Combined Trends in Financial Condition	36
20	Banks for Cooperatives Combined Trends in Income and Expenses	36
21	Banks for Cooperatives Combined Trends in Selected Financial Measures	36
22	Federal Land Banks Combined Statement of Condition	37
23	Federal Land Banks Statement of Condition by District	38
24	Federal Land Banks Combined Statement of Income	40
25	Federal Land Banks Statement of Income by District	41
26	District Federal Land Banks Nonperforming Loans, Chargeoffs and Financial Ratios	43
27	Federal Land Bank Associations Combined Statement of Condition	44
28	Federal Land Bank Associations Statement of Condition by District	45
29	Federal Land Bank Associations Combined Statement of Income	47
30	Federal Land Bank Associations Statement of Income by District	48
31	District Federal Land Bank Associations Nonperforming Loans, Chargeoffs and Financial Ratios	50
32	Federal Intermediate Credit Banks Combined Statement of Condition	51
33	Federal Intermediate Credit Banks Statement of Condition by District	52
34	Federal Intermediate Credit Banks Combined Statement of Income	54
35	Federal Intermediate Credit Banks Statement of Income by District	55
36	District Federal Intermediate Credit Banks Nonperforming Loans, Chargeoffs and Financial Ratios	56
37	Production Credit Associations Combined Statement of Condition	57
38	Production Credit Associations Statement of Condition by District	58
39	Production Credit Associations Combined Statement of Income	60
40	Production Credit Associations Statement of Income by District	61
41	District Production Credit Associations Nonperforming Loans, Chargeoffs and Financial Ratios	63
42	Banks for Cooperatives Combined Statement of Condition	64
43	Banks for Cooperatives Statement of Condition by District	65
44	Banks for Cooperatives Combined Statement of Income	67
45	Banks for Cooperatives Statement of Income by District	68
46	District Banks for Cooperatives Nonperforming Loans, Chargeoffs and Financial Ratios	70
47	Selected Borrower Characteristics: Federal Land Banks Loans Booked During 1986	71
48	Selected Borrower Characteristics (1): Production Credit Associations Loans Outstanding at Yearend 1986	71
49	Selected Borrower Characteristics (2): Production Credit Associations Loans Outstanding at Yearend 1986	71

Table 1 Farm Credit System Combined Statement of Condition

(Dollars in Thousands)

As of December 31	1986	1985
Assets		
Loans, Less Allowance for Loan Losses of \$3,635,340 and \$3,189,628 in 1986 and 1985, Respectively	\$54,614,267	\$66,615,098
Cash and Investment Securities (Market values \$11,471,471 and \$8,376,234 in 1986 and 1985, Respectively)	11,413,009	8,328,970
Total Earning Assets	66,027,276	74,944,068
Accrued Interest Receivable on Loans	2,200,978	3,070,277
Other Property Owned	1,101,465	927,830
Premises and Equipment, Less Accumulated Depreciation	494,284	567,329
Other Assets and Deferred Charges	276,550	323,001
Total Assets	\$70,100,553	\$79,832,505
Liabilities and Capital		
Consolidated Systemwide Bonds	\$45,008,168	\$54,117,218
Consolidated Bank and Other Bonds	3,726,097	4,146,783
Consolidated Systemwide Notes	13,743,922	10,587,016
Notes Payable and Other Interest-Bearing Liabilities	197,683	334,211
Accrued Interest Payable	1,434,394	1,936,037
Other Liabilities	349,299	341,449
Total Liabilities	64,459,563	71,462,714
Contingent Liabilities		
Capital Stock and Participation Certificates	4,188,060	4,969,154
Surplus	1,452,930	3,400,637
Total Capital	5,640,990	8,369,791
Total Liabilities and Capital	\$70,100,553	\$79,832,505

Table 2 Farm Credit System Combined Statement of Operations

(Dollars in Thousands)

For the Year Ended December 31	1986	1985
Interest Income		
Loans	\$ 6,638,177	\$ 8,581,024
Investment Securities	531,186	392,599
Total Interest Income	7,169,363	8,973,623
Interest Expense		
Consolidated Systemwide Bonds	5,312,702	6,705,418
Consolidated Bank and Other Bonds	280,671	388,865
Consolidated Systemwide Notes	769,971	540,961
Notes Payable and Other Interest-Bearing Liabilities	25,396	43,819
Total Interest Expense	6,388,740	7,679,063
Net Interest Income	780,623	1,294,560
Provision for Loan Losses	1,797,740	2,968,756
Net Interest Income (Loss) After Provision For Loan Losses	(1,017,117)	(1,674,196)
Other Income	129,390	152,477
Other Expenses		
Salaries and Employee Benefits	497,063	534,386
Occupancy and Equipment Expense	88,722	86,530
Losses on Other Property Owned	232,909	284,600
Miscellaneous	206,380	261,552
Total Other Expenses	1,025,074	1,167,068
Net Income (Loss)	\$(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	1986	1985	1984	1983	1982
Combined Statement of Condition Data					
Loans	\$58,249	\$69,805	\$79,803	\$81,878	\$81,383
Allowance for Loan Losses	3,635	3,190	1,326	1,418	1,439
Cash and Investment Securities	11,413	8,329	3,553	2,667	3,253
Accrued Interest Receivable on Loans	2,201	3,070	3,684	3,736	4,132
Consolidated Systemwide Bonds	45,008	54,117	62,071	62,850	63,175
Consolidated Bank and Other Bonds	3,726	4,147	5,231	5,182	7,972
Consolidated Systemwide Notes	13,744	10,587	4,890	4,783	1,856
Total Capital	5,641	8,370	11,837	11,753	11,441
Total Risk Funds (Total Capital Plus Allowance For Loan Losses)	\$ 9,276	\$11,560	\$13,163	\$13,171	\$12,880
For the Year Ended December 31					
	1986	1985	1984	1983	1982
Combined Statement of Operations Data					
Net Interest Income	\$ 781	\$ 1,295	\$ 1,453	\$ 1,421	\$ 1,743
Provision for Loan Losses	1,798	2,969	335	228	202
Other Expenses (Income), Net	896	1,015	745	646	391
Net Income (Loss)	\$(1,913)	\$(2,689)	\$ 373	\$ 547	\$ 1,150

Table 4
Farm Credit System Summary of Financial Condition

(Dollars in Millions)

As of December 31, 1986	13 BCs	12 FICBs	12 FLBs	FLBAs	PCAs
Loans—Total Principal	\$7,417.7	\$10,764.6	\$40,099.9	N/A	\$11,078.6
Performing	7,111.5	4,676.0	29,640.0	N/A	8,807.1
Restructured	71.0	930.6	67.7	N/A	88.6
Other Restructured and Reduced Rate	15.8	0.1	5.5	N/A	9.4
Other High Risk:					
Nonaccrual	171.4	4,985.6	4,532.4	N/A	1,155.3
Nonaccrual	48.0	172.3	5,853.4	N/A(1)	1,018.2
Less: Allowance for Losses	145.5	81.3	2,628.1	N/A	688.1
Net Loans	7,272.2	10,683.3	37,471.8	N/A	10,390.5
Cash and Investments in Securities	2,290.0	3,523.4	5,390.2	\$ 202.1	52.9
Net Acquired Property	15.5	35.2	909.2	N/A	142.7
Other Assets Net of Adjustments	233.6	329.6	1,575.5	2,189.8(2)	2,320.0(2)
Total Assets	9,811.3	14,571.5	45,346.7	2,391.9	12,906.1
Total Liabilities	8,736.9	12,748.0	43,353.8	253.2(1)	10,648.8
Capital Stock and Participation Certificates	771.3	1,410.8	2,251.0	2,223.2	1,150.9
Earned Net Worth	303.1	412.7	(258.1)	(84.5)	1,106.4
Total Net Worth	\$1,074.4	\$ 1,823.5	\$ 1,992.9	\$2,138.7	\$ 2,257.3

(1) FLBAs in 5 districts have liability for losses on FLB loans. Collectively, these FLBAs have an allowance for loan losses of \$75.7 million. Because FLBAs do not make loans, the FLBA allowance for losses is included in FLBA liabilities.

(2) For the PCAs, other assets includes \$1,666.1 million representing equity in FICBs. For FLBAs other assets includes \$1,993.7 million representing equity in FLBs.

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, 1986	13 BCs	12 FICBs	12 FLBs	FLBAs(1)	PCAs
Total Interest Income	\$864.8	\$1,320.2	\$ 4,820.0	\$ 26.2	\$1,350.7
Less: Total Interest Expense	725.1	1,038.3	4,686.4	*	1,157.3
Net Interest Income	139.7	281.9	133.6	26.2	193.4
Less: Provision for Loan Losses	13.5	(15.6)	1,459.8	15.8	355.1
Net Interest Income (Loss) after Provision for Loan Losses	126.2	297.5	(1,326.2)	10.4	(161.7)
Plus: Other Income	15.3	5.0	551.0	201.0	232.7
Less: Other Expenses	140.9	290.4	644.1	604.1	346.5
Net Income (Loss)	\$ 0.6	\$ 12.1	\$(1,419.3)	\$(392.8)	\$ (275.5)

(1) Prior to the 3/31/86 quarter, FLBAs reported to FCA on a semiannual basis rather than a quarterly basis.

* Less than \$50,000.

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, 1986	13 BCs	12 FICBs	12 FLBs	FLBAs(1)	PCAs
Return on Assets	0.01%	0.08%	(2.94%)	(13.64%)	(1.86%)
Return on Equity	0.05%	0.66%	(48.37%)	(14.93%)	(10.83%)
Net Interest Margin	1.40%	1.94%	0.31%	N/A	1.63%
Net Chargeoffs on Loans	\$(1.80)	\$31.70	\$937.60	N/A	\$305.80
As of December 31, 1986					
Capital as a % of Assets	10.95%	12.51%	4.50%	89.41%	17.49%
Debt-to-Capital Ratio (1)	8.13	6.99	21.75	0.12	4.72

(1) Prior to the 3/31/86 quarter, FLBAs reported to FCA on a semiannual basis rather than a quarterly basis.

N/A Not applicable.

Table 7 Federal Land Banks Combined Trends in Financial Condition

(Dollars in Millions)

As of	12/31/85	3/31/86	6/30/86	9/30/86	12/31/86
Loans—Total Principal	\$47,765.6	\$46,373.7	\$44,127.4	\$42,273.3	\$40,099.9
Performing	40,373.7	38,121.3	34,744.2	32,257.5	29,640.9
Restructured	14.9	16.4	51.2	49.3	67.7
Other Restructured and Reduced Rate	16.8	14.9	8.6	7.5	5.5
Other High Risk	3,331.0	3,412.2	2,684.6	3,302.9	4,532.4
Nonaccrual	4,029.2	4,808.9	6,638.8	6,656.1	5,853.4
Less: Allowance for Losses	2,117.6	2,118.8	2,436.8	2,590.6	2,628.1
Net Loans	45,648.0	44,254.9	41,690.5	39,682.7	37,471.8
Cash and Investments in Securities	3,784.5	3,700.0	3,612.1	4,058.0	5,390.2
Net Acquired Property	721.9	782.7	835.0	894.5	909.2
Other Assets Net of Adjustments	1,891.4	1,231.1	1,494.0	1,811.1	1,575.5
Total Assets	52,045.8	49,968.7	47,631.6	46,446.3	45,346.7
Total Liabilities	48,292.1	46,461.0	44,672.3	43,987.3	43,353.8
Capital Stock and Participation Certificates	2,592.3	2,522.3	2,422.4	2,334.8	2,251.0
Earned Net Worth	1,161.4	985.4	536.9	124.2	(258.1)
Total Net Worth	\$ 3,753.7	\$ 3,507.7	\$ 2,959.3	\$ 2,459.0	\$ 1,992.9

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		Quarter Ended(1)			
	12/31/85	12/31/86	3/31/86	6/30/86	9/30/86	12/31/86
Total Interest Income	\$ 5,897.2	\$ 4,820.0	\$ 1,364.7	\$ 1,224.1	\$ 1,110.2	\$ 1,121.1
Less: Total Interest Expense	5,477.7	4,686.5	1,267.8	1,205.5	1,131.5	1,081.7
Net Interest Income (Loss)	419.5	133.5	96.9	18.6	(21.3)	39.4
Less: Provision for Loan Losses	2,013.6	1,459.8	172.6	598.2	369.2	319.8
Net Interest Income (Loss) after Provision for Loan Losses	(1,594.1)	(1,326.3)	(75.7)	(579.6)	(390.5)	(280.4)
Plus: Other Income	79.4	551.0	8.7	273.4	104.1	166.3
Less: Other Expenses	501.6	644.0	108.7	142.3	126.3	268.2
Net Income (Loss)	\$(2,016.3)	\$(1,419.3)	\$ (175.7)	\$ (448.5)	\$ (412.7)	\$ (382.3)

(1) Quarterly data may not add to yearly data due to other income and expense items. 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		Quarter Ended			
	12/31/85	12/31/86	3/31/86	6/30/86	9/30/86	12/31/86
Return on Assets	(3.85%)	(2.94%)	(1.38%)	(3.68%)	(3.35%)	(3.33%)
Return on Equity	(38.16%)	(48.37%)	(19.36%)	(55.49%)	(57.92%)	(68.70%)
Net Interest Margin	0.84%	0.31%	0.84%	0.17%	(0.21%)	0.40%
Net Chargeoffs on Loans	\$460.3	\$937.6	\$178.0	\$341.5	\$127.7	\$290.4
As of	12/31/85	12/31/86	3/31/86	6/30/86	9/30/86	12/31/86
Capital as a % of Assets	7.10%	4.39%	7.02%	6.21%	5.34%	4.50%
Debt-to-Capital Ratio (1)	13.08	21.75	13.25	15.09	15.09	21.75

Table 10
Federal Land Banks Associations Combined Trends in Financial Condition ⁽¹⁾

(Dollars in Millions)

As of	12/31/85	3/31/86	6/30/86	9/30/86	12/31/86
Loans—Total Principal (3)	—	—	—	—	—
Performing	—	—	—	—	—
Restructured	—	—	—	—	—
Other Restructured and Reduced Rate	—	—	—	—	—
Other High Risk	—	—	—	—	—
Nonaccrual	—	—	—	—	—
Less: Allowance for Losses	—	—	—	—	—
Net Loans	—	—	—	—	—
Cash and Investments in Securities	\$ 437.2	\$ 397.2	\$ 312.0	\$ 277.7	\$ 202.1
Net Acquired Property	N/A	N/A	N/A	N/A	N/A
Other Assets Net of Adjustments	2,787.8	2,729.3	2,572.2	2,493.5	2,189.8
Total Assets	3,225.0	3,126.5	2,884.2	2,771.2	2,391.9
Total Liabilities (2)	271.0	288.6	201.8	260.5	253.2
Capital Stock and Participation Certificates	2,592.4	2,520.7	2,406.3	2,335.0	2,223.2
Earned Net Worth	361.6	317.2	276.1	175.7	(84.5)
Total Net Worth	\$2,954.0	\$2,837.9	\$2,682.4	\$2,510.7	\$2,138.7

(1) Prior to the 3/31/86 quarter, FLBAs reported to FCA on a semiannual rather than a quarterly basis.

(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.

(3) The FLBAs act as agents for the FLBs in the lending process, but do not hold loans themselves.

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

Table 11
Federal Land Bank Associations Combined Trends in Income and Expenses ⁽¹⁾

(Dollars in Millions)

For the	Year Ended		Quarter Ended			
	12/31/85	12/31/86	3/31/86	6/30/86	9/30/86	12/31/86
Total Interest Income	\$ 51.9	\$ 26.2	\$ 9.5	\$ 7.6	\$ 5.7	\$ 3.4
Less: Total Interest Expense	N/A	N/A	N/A	N/A	N/A	N/A
Net Interest Income	51.9	26.2	9.5	7.6	5.7	3.4
Less: Provision for Loan Losses	48.9	15.8	1.8	1.9	11.2	0.9
Net Interest Income (Loss) after Provision for Loan Losses	3.0	10.4	7.7	5.7	(5.5)	2.5
Plus: Other Income	193.4	201.0	44.3	54.2	44.5	58.0
Less: Other Expenses	356.4	604.2	46.1	98.2	142.7	317.2
Net Income (Loss)	\$(160.0)	\$(392.8)	\$ 5.9	\$(38.3)	\$(103.7)	\$(256.7)

(1) Prior to the 3/31/86 quarter, FLBAs reported to FCA on a semiannual rather than a quarterly basis.

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 ⁽¹⁾

(Dollars in Millions)

For the	Year Ended		Quarter Ended			
	12/31/85	12/31/86	3/31/86	6/30/86	9/30/86	12/31/86
Return on Assets	(13.64%)	(3.85%)	0.75%	(5.09%)	(14.66%)	(39.78%)
Return on Equity	(14.93%)	(4.10%)	0.82%	(5.55%)	(15.97%)	(44.17%)
Net Interest Margin	N/A	N/A	N/A	N/A	N/A	N/A
Net Chargeoffs on Loans	N/A	\$50.28	\$5.29	\$69.10	N/A	N/A
As of	12/31/85	12/31/86	3/31/86	6/30/86	9/30/86	12/31/86
Capital as a % of Assets	89.41%	92.45%	90.78%	93.00%	90.60%	89.41%
Debt-to-Capital Ratio (1)	0.12	0.05	0.10	0.07	0.10	0.12

(1) Prior to the 3/31/86 quarter, FLBAs reported to FCA on a semiannual basis rather than a quarterly basis. Therefore, ratios for 12/31/85 are at and for the six months ended.

N/A Not applicable.

Table 13
Federal Intermediate Credit Banks Combined Trends in Financial Condition

(Dollars in Millions)

As of	12/31/85	3/31/86	6/30/86	9/30/86	12/31/86
Loans — Total Principal	\$13,898.2	\$12,726.7	\$12,563.2	\$12,140.1	\$10,764.6
Performing	8,834.8	7,638.2	5,522.4	4,913.3	4,676.0
Restructured	1,009.6	850.6	923.6	857.6	930.6
Other Restructured and Reduced Rate	62.6	0.0	0.0	0.0	0.1
Other High Risk	3,798.1	4,041.0	5,894.2	6,191.3	4,985.6
Nonaccrual	193.1	196.9	223.0	177.9	172.3
Less: Allowance for Losses	144.9	143.9	85.1	84.6	81.3
Net Loans	13,753.3	12,582.8	12,478.1	12,055.5	10,683.3
Cash and Investments in Securities	2,182.8	1,659.4	1,645.9	2,849.9	3,523.4
Net Acquired Property	22.6	20.8	26.0	23.0	35.2
Other Assets Net of Adjustments	490.4	454.7	410.1	378.2	329.6
Total Assets	16,449.1	14,717.7	14,560.1	15,306.6	14,571.5
Total Liabilities	14,582.1	12,828.8	12,764.1	13,485.9	12,748.0
Capital Stock and Participation Certificates	1,402.5	1,398.7	1,408.1	1,410.8	1,373.6
Earned Net Worth	464.5	490.2	387.9	409.9	449.9
Total Net Worth	\$ 1,867.0	\$ 1,888.9	\$ 1,796.0	\$ 1,820.7	\$ 1,823.5

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		Quarter Ended			
	12/31/85	12/31/86	3/31/86	6/30/86	9/30/86	12/31/86
Total Interest Income	\$1,798.1	\$1,320.2	\$356.3	\$337.5	\$327.1	\$299.2
Less: Total Interest Expense	1,509.4	1,038.3	290.2	264.5	251.0	232.7
Net Interest Income	288.7	281.9	66.1	73.0	76.1	66.5
Less: Provision for Loan Losses	160.3	(15.6)	13.2	(34.2)	3.6	1.8
Net Interest Income after Provision for Loan Losses	128.4	297.5	52.9	107.2	72.5	64.7
Plus: Other Income (Loss)	(13.0)	5.0	1.0	1.3	0.5	35.4
Less: Other Expenses	204.7	290.4	26.5	198.6	47.2	51.2
Net Income (Loss)	\$ (89.3)	\$ 12.1	\$ 27.4	\$ (90.1)	\$ 25.9	\$ 48.9

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		Quarter Ended			
	12/31/85	12/31/86	3/31/86	6/30/86	9/30/86	12/31/86
Return on Assets	(0.50%)	0.08%	0.70%	(2.46%)	0.69%	1.30%
Return on Equity	(4.51%)	0.66%	5.83%	(19.56%)	5.72%	10.62%
Net Interest Margin	1.68%	1.94%	1.77%	2.08%	2.14%	1.89%
Net Chargeoffs on Loans	\$38.6	\$31.7	\$14.3	\$7.1	\$4.1	\$6.2
As of	12/31/85	12/31/86	3/31/86	6/30/86	9/30/86	12/31/86
Capital as a % of Assets	11.35%	12.51%	12.83%	12.20%	11.90%	12.51%
Debt-to-Capital Ratio (1)	7.81	6.99	6.79	7.11	7.41	6.99

Table 16
Production Credit Associations Combined Trends in Financial Condition

(Dollars in Millions)

As of	12/31/85	3/31/86	6/30/86	9/30/86	12/31/86
	Loans— Total Principal	\$14,367.9	\$13,446.3	\$13,018.5	\$12,441.7
Performing	12,124.5	11,159.7	10,637.1	10,125.9	8,798.3
Restructured	32.6	43.6	90.0	98.1	224.3
Other Restructured and Reduced Rate	20.1	9.0	9.4	7.5	12.0
Other High Risk	1,299.2	1,415.4	1,155.8	1,098.8	1,025.8
Nonaccrual	891.5	818.6	1,126.2	1,111.4	1,018.2
Less: Allowance for Losses	666.6	691.3	706.9	722.2	688.1
Net Loans	13,701.3	12,755.0	12,311.6	11,719.5	10,390.5
Cash and Investments in Securities	28.0	4.3	23.6	29.4	53.0
Net Acquired Property	162.4	163.2	140.0	147.4	142.7
Other Assets Net of Adjustments	2,483.0	2,508.7	2,391.3	2,442.1	2,320.0
Total Assets	16,374.7	15,431.2	14,866.5	14,388.4	12,906.2
Total Liabilities	13,476.1	12,698.6	12,389.0	11,988.9	10,648.8
Capital Stock and Participation Certificates	1,515.0	1,392.2	1,304.2	1,248.6	1,150.9
Earned Net Worth	1,383.6	1,340.4	1,173.3	1,100.9	1,106.5
Total Net Worth	\$ 2,898.6	\$ 2,732.6	\$ 2,477.5	\$ 2,349.5	\$ 2,257.4

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		Quarter Ended			
	12/31/85	12/31/86	3/31/86	6/30/86	9/30/86	12/31/86
	Total Interest Income	\$1,902.3	\$1,350.7	\$375.7	\$348.3	\$329.8
Less: Total Interest Expense	1,592.6	1,157.3	318.5	299.3	286.2	253.3
Net Interest Income	309.7	193.4	57.3	49.0	43.6	43.5
Less: Provision for Loan Losses	722.7	355.1	74.9	153.0	81.9	45.3
Net Interest Income (Loss) after Provision for Loan Losses	(413.0)	(161.7)	(17.6)	(104.0)	(38.3)	(1.8)
Plus: Other Income	247.7	232.7	24.8	78.2	47.5	86.0
Less: Other Expenses	434.5	346.5	79.8	110.5	80.5	79.3
Net Income (Loss)	\$ (599.8)	\$ (275.5)	\$ (72.7)	\$ (136.3)	\$ (71.3)	\$ 4.8

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		Quarter Ended			
	12/31/85	12/31/86	3/31/86	6/30/86	9/30/86	12/31/86
	Return on Assets(1.86%)	(10.27%)	(1.83%)	(3.60%)	(1.95%)	0.14%
Return on Equity	(10.83%)	(56.57%)	(10.33%)	(20.94%)	(11.81%)	0.84%
Net Interest Margin	1.63%	1.67%	1.75%	1.60%	1.50%	1.63%
Net Chargeoffs on Loans	\$305.80	\$137.20	\$90.60	\$90.80	\$57.00	\$67.40
As of	12/31/85	12/31/86	3/31/86	6/30/86	9/30/86	12/31/86
Capital as a % of Assets	17.49%	17.70%	17.70%	16.66%	16.39%	17.49%
Debt-to-Capital Ratio (1)	4.72	4.65	4.65	5.00	5.10	4.72

Table 19
Banks for Cooperatives Combined Trends in Financial Condition

(Dollars in Millions)

As of	12/31/85	3/31/86	6/30/86	9/30/86	12/31/86
	Loans— Total Principal	\$ 8,149.4	\$ 8,828.9	\$ 8,084.5	\$ 7,504.4
Performing	7,680.0	8,412.4	7,696.7	7,162.5	7,111.5
Restructured	65.4	61.5	65.0	76.9	71.0
Other Restructured and Reduced Rate	0.9	1.5	0.9	0.9	15.8
Other High Risk	272.0	256.1	254.9	203.8	171.4
Nonaccrual	131.1	97.4	67.0	60.3	48.0
Less: Allowance for Losses	131.9	131.3	137.4	138.6	145.5
Net Loans	8,017.5	8,697.6	7,947.1	7,365.8	7,272.2
Cash and Investments in Securities	2,325.3	1,798.9	1,784.1	2,183.2	2,290.0
Net Acquired Property	11.2	9.4	9.2	17.5	15.5
Other Assets Net of Adjustments	263.6	263.6	273.8	251.7	233.6
Total Assets	10,617.6	10,769.4	10,014.2	9,818.2	9,811.3
Total Liabilities	9,451.5	9,620.3	8,913.1	8,715.6	8,736.9
Capital Stock and Participation Certificates	833.3	826.1	805.3	788.6	771.3
Earned Net Worth	332.8	323.0	295.8	314.0	303.1
Total Net Worth	\$ 1,166.1	\$ 1,149.1	\$ 1,101.1	\$ 1,102.6	\$ 1,074.4

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		Quarter Ended			
	12/31/85	12/31/86	3/31/86	6/30/86	9/30/86	12/31/86
	Total Interest Income	\$993.0	\$864.8	\$241.5	\$228.3	\$201.2
Less: Total Interest Expense	825.5	725.1	202.6	191.0	167.7	163.8
Net Interest Income	167.5	139.7	38.9	37.3	33.5	30.0
Less: Provision for Loan Losses	24.5	13.5	2.4	4.2	2.2	4.7
Net Interest Income after Provision for Loan Losses	143.0	126.2	36.5	33.1	31.3	25.3
Plus: Other Income	6.6	15.3	2.6	4.9	2.1	5.7
Less: Other Expenses	83.3	140.9	15.7	92.5	15.2	17.5
Net Income (Loss)	\$ 66.3	\$ 0.6	\$ 23.4	\$ (54.5)	\$ 18.2	\$ 13.5

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		Quarter Ended			
	12/31/85	12/31/86	3/31/86	6/30/86	9/30/86	12/31/86
	Return on Assets	0.66%	0.01%	0.88%	(2.10%)	1.34%
Return on Equity	5.53%	0.05%	8.10%	(19.39%)	6.60%	4.97%
Net Interest Margin	1.69%	1.40%	1.49%	1.47%	1.38%	1.25%
Net Chargeoffs on Loans	\$13.8	\$(1.8)	\$1.4	\$(1.9)	\$0.8	\$(2.1)
As of	12/31/85	12/31/86	3/31/86	6/30/86	9/30/86	12/31/86
Capital as a % of Assets	10.98%	10.95%	10.67%	11.00%	11.23%	10.95%
Debt-to-Capital Ratio (1)	8.11	8.13	8.37	8.10	7.90	8.13

Table 22**Federal Land Banks Combined Statement of Condition**

(Dollars in Thousands)

As of December 31	1986	1985	Percent Change
Assets			
Loans: Unmatured Principal	\$33,942,200	\$42,849,819	(20.78)
Unmatured Extensions	5,694	19,311	(70.51)
Delinquent Principal and Advances	138,156	551,581	(74.95)
Loans in Process of Closing	45,836	48,055	(4.61)
Nonaccrual Loans	5,853,405	4,029,198	45.27
Accrued Interest Receivable on Loans	1,736,546	2,399,295	(27.62)
Gross Loan Items	41,721,837	49,897,259	(16.38)
Less: Allowance for Losses	2,628,074	2,117,558	24.10
Less: Deferred Proceeds of Loans	54,478	84,238	(35.32)
Less: Future Payment Funds	259,477	359,513	(27.82)
Less: Advance Payments	243,052	281,540	(13.67)
Less: Unamortized Loan Fees	15,914	19,179	(17.02)
Less: Unapplied Loan Payments	193,473	175,845	10.02
Net Loan Items	38,327,369	46,859,386	(18.20)
Cash	266,704	245,180	8.77
Investments: U.S. Government Securities (Par)	88,170	176,900	(60.15)
Securities Government Supervised Institutions (Par)	75,246	131,972	(42.98)
Other Securities and Federal Funds	4,968,577	3,239,049	53.39
Investment in BC Bankers Acceptances (Par)	0	0	0.00
Unamortized Premium or Discount (Net)	(8,882)	(9,199)	(3.44)
Unamortized Defer Gain/Loss Security Sales (Net)	366	531	(31.07)
Total Investment in Securities	5,123,477	3,539,253	44.76
Investments in Farm Credit Institutions	2,937	0	0.00
Notes Receivable Farm Credit Banks and Other	114,583	267,614	(57.18)
Accounts Receivable	400,655	168,161	138.25
Accrued Interest Receivable - Other Farm Credit Banks	3,245	2,025	60.24
Accrued Interest Receivable - Investments	21,645	17,256	25.43
Acquired Property	1,220,148	940,826	29.68
Less: Allowance for Losses	310,899	218,881	42.04
Less: Accumulated Depreciation	0	0	0.00
Net Acquired Property	909,249	721,945	25.94
Land, Buildings, and Equipment	163,207	159,496	2.32
Less: Accumulated Depreciation	50,091	36,502	37.22
Net Land, Buildings, and Equipment	113,116	122,994	(8.03)
Prepaid Expenses and Other Assets	63,724	101,982	(37.51)
Total Assets	\$45,346,704	\$52,045,796	(12.87)
Liabilities and Net Worth			
Drafts Outstanding	\$ 11,572	\$ 5,866	97.27
Notes Payable: FLBAs	180,310	419,797	(57.04)
Other Farm Credit Banks	7,050	0	0.00
Consolidated Systemwide Notes	4,297,807	2,221,338	93.47
Commercial Banks and Other	1,260,979	724,564	74.03
Securities Sold Under Agreement to Repurchase	34,225	90,259	(62.08)
Total Notes Payable	5,780,371	3,455,958	67.25
Accounts Payable	13,870	159,825	(91.32)
Accrued Interest Payable	1,134,952	1,464,815	(22.51)
Miscellaneous Trust Accounts	56,474	56,646	(0.30)
Unmatured Consolidated and Systemwide Bonds	36,450,295	43,235,339	(15.69)
Less: Consolidated Bonds Owned	222,000	222,000	0.00
Less: Unamortized Premiums and Discounts	(2,167)	0	0.00
Net Consolidated and Systemwide Bonds Outstanding	36,230,462	43,013,339	(15.76)
Unmatured Farm Credit Investment Bonds Outstanding	88,922	96,952	(8.28)
Matured Farm Credit Investment Bonds Outstanding	0	0	0.00
Other Liabilities	37,190	38,749	(4.02)
Total Liabilities	43,353,813	48,292,150	(10.22)
Capital Stock: Class B - FLBAs	2,145,609	2,451,264	(12.46)
Class C - FLBAs	10,000	0	0.00
Participation Certificates - FLBAs	95,342	141,119	(32.43)
Total Capital Stock	2,250,951	2,592,383	(13.17)
Earned Net Worth: Legal Reserve	(8,789)	936,545	(100.93)
Surplus Reserve	0	42,388	(100.00)
Earned Surplus	(249,270)	182,335	(236.70)
Total Earned Net Worth	(258,059)	1,161,268	(122.22)
Total Net Worth	1,992,892	3,753,651	(46.90)
Total Liabilities and Net Worth	\$45,346,705	\$52,045,801	(12.87)

Totals may not add due to rounding.

Table 23
Federal Land Banks Statement of Condition by District

(Dollars in Thousands)

As of December 31, 1986	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Assets						
Loans: Unmatured Principal	\$808,667	\$1,798,676	\$3,670,544	\$2,702,735	\$1,571,514	\$3,238,510
Unmatured Extensions	0	0	1,035	0	0	633
Delinquent Principal and Advances	2,382	5,574	25,261	9,524	5,684	9,492
Loans in Process of Closing	1,447	4,635	562	3,140	(177)	1,907
Nonaccrual Loans	24,451	43,697	451,959	505,361	381,218	664,220
Accrued Interest Receivable on Loans	10,436	29,901	133,982	178,895	91,363	186,166
Gross Loan Items	847,383	1,882,483	4,283,343	3,399,655	2,049,602	4,100,928
Less: Allowance for Losses	12,394	19,864	219,654	191,654	133,652	313,052
Less: Deferred Proceeds of Loans	1,215	5,906	6,016	1,019	481	5,191
Less: Future Payment Funds	0	0	0	0	0	0
Less: Advance Payments	402	13,759	31,919	38,758	7,026	40,542
Less: Unamortized Loan Fees	0	0	0	0	5,454	0
Less: Unapplied Loan Payments	932	(741)	69,550	80,031	7,371	20,174
Net Loan Items	832,440	1,843,695	3,956,204	3,088,193	1,895,618	3,724,969
Cash	6,603	11,730	58,766	44,955	132	29,337
Investments: U.S. Government Securities (Par)	0	1,365	0	0	2,325	2,500
Securities Government Supervised Institutions (Par)	0	0	30,625	0	105	0
Other Securities and Federal Funds	111,000	201,067	373,005	201,005	263,592	586,939
Investment in BC Bankers Acceptances (Par)	0	0	0	0	0	0
Unamortized Premium or Discount (Net)	0	(7)	(25)	(470)	(33)	(41)
Unamortized Defer Gain/Loss Security Sales (Net)	0	0	159	0	0	207
Total Investment in Securities	111,000	202,425	403,764	200,535	265,989	589,605
Investments in Farm Credit Institutions	172	0	228	221	185	215
Notes Receivable Farm Credit Banks and Others	731	12,348	359	1,887	11,533	7,566
Accounts Receivable	3,008	3,287	1,895	129,160	124,735	21,189
Accrued Interest Receivable - Other Farm Credit Banks	3	1,033	20	27	262	7
Accrued Interest Receivable - Investments	339	0	2,713	792	2,009	1,884
Acquired Property	5,920	3,670	58,361	46,527	170,462	120,895
Less: Allowance for Losses	420	318	5,648	2,170	70,875	32,733
Less: Accumulated Depreciation	0	0	0	0	0	0
Net Acquired Property	5,500	3,352	52,713	44,357	99,587	88,162
Land, Buildings, and Equipment	13,021	13,306	8,364	7,668	10,739	12,807
Less: Accumulated Depreciation	5,446	3,368	4,066	4,736	2,595	3,457
Net Land, Buildings, and Equipment	7,575	9,938	4,298	2,932	8,144	9,350
Prepaid Expenses and Other Assets	1,110	3,032	7,686	5,892	2,014	5,075
Total Assets	\$968,481	\$2,090,840	\$4,488,646	\$3,518,951	\$2,410,208	\$4,477,359
Liabilities and Net Worth						
Drafts Outstanding	\$ 313	\$ 5,049	\$ 492	\$ 37	\$ 217	\$ 68
Notes Payable: FLBAs	4,139	65,225	7,294	0	0	20
Other Farm Credit Banks	0	0	0	0	7,000	0
Consolidated Systemwide Notes	118,042	121,248	66,834	9,998	121,060	659,584
Commercial Banks and Other	0	52,620	135,337	111,526	75,284	127,283
Securities Sold Under Agreement to Repurchase	0	0	0	0	0	0
Total Notes Payable	122,181	239,093	209,465	121,524	203,344	786,887
Accounts Payable	30,940	67,216	123,334	5,652	3,315	8,690
Accrued Interest Payable	21,898	50,556	99,936	108,975	68,372	105,951
Miscellaneous Trust Accounts	704	8,919	5,593	807	593	6,757
Unmatured Consolidated and Systemwide Bonds	704,374	1,451,400	3,854,411	3,227,451	2,106,000	3,385,000
Less: Consolidated Bonds Owned	0	0	47,000	100,000	25,000	0
Less: Unamortized Premiums and Discounts	(1,090)	(2,083)	(748)	5,554	2,375	(1,463)
Net Consolidated and Systemwide Bonds Outstanding	705,464	1,453,483	3,808,159	3,121,897	2,078,625	3,386,463
Unmatured Farm Credit Investment Bonds Outstanding	0	88,922	0	0	0	0
Matured Farm Credit Investment Bonds Outstanding	0	0	0	0	0	0
Other Liabilities	779	945	1,851	3,146	1,178	6,388
Total Liabilities	882,279	1,914,183	4,248,830	3,362,038	2,355,644	4,301,204
Capital Stock: Class B - FLBAs	45,977	90,119	207,255	188,403	103,906	218,574
Class C - FLBAs	0	0	0	0	0	0
Participation Certificates - FLBAs	4,847	10,184	25,129	4,489	7,331	3,359
Total Capital Stock	50,824	100,303	232,384	192,892	111,237	221,933
Earned Net Worth: Legal Reserve	35,376	76,353	7,432	0	0	0
Surplus Reserve	0	0	0	0	0	0
Earned Surplus	0	0	0	(35,978)	(56,670)	(45,780)
Total Earned Net Worth	35,376	76,353	7,432	(35,978)	(56,670)	(45,780)
Total Net Worth	86,200	176,656	239,816	156,914	54,567	176,153
Total Liabilities and Net Worth	\$968,479	\$2,090,839	\$4,488,646	\$3,518,952	\$2,410,211	\$4,477,357

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, 1986	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Assets						
Loans: Unmatured Principal	\$4,723,269	\$3,557,452	\$3,253,050	\$2,372,878	\$3,815,122	\$2,429,783
Unmatured Extensions	2,300	1,572	0	154	0	0
Delinquent Principal and Advances	2,191	15,284	11,716	5,400	34,537	11,110
Loans in Process of Closing	0	461	3,360	4,171	26,331	0
Nonaccrual Loans	1,125,024	828,825	688,341	94,209	373,726	672,376
Accrued Interest Receivable on Loans	232,892	244,374	167,902	122,488	204,492	133,656
Gross Loan Items	6,085,676	4,647,968	4,124,369	2,599,300	4,454,208	3,246,925
Less: Allowance for Losses	484,259	475,261	454,397	51,425	122,913	152,549
Less: Deferred Proceeds of Loans	14,586	1,602	415	4,153	12,029	1,864
Less: Future Payment Funds	0	80,038	20,375	60,958	33,573	64,533
Less: Advance Payments	60,225	18	22,069	28,274	59	0
Less: Unamortized Loan Fees	10,460	0	0	0	0	0
Less: Unapplied Loan Payments	0	4,378	10,687	2	337	752
Net Loan Items	5,516,146	4,086,671	3,616,426	2,454,488	4,285,297	3,027,227
Cash	4,002	34,724	4,059	17,622	29,369	25,403
Investments: U.S. Government Securities (Par)	0	3,925	75,000	0	1,055	2,000
Securities Government Supervised Institutions (Par)	0	0	0	0	3,516	41,000
Other Securities and Federal Funds	817,072	544,675	369,633	628,404	615,351	256,835
Investment in BC Bankers Acceptances (Par)	0	0	0	0	0	0
Unamortized Premium or Discount (Net)	(3,691)	(444)	(87)	(77)	(1,570)	(2,437)
Unamortized Defer Gain/Loss Security Sales (Net)	0	0	0	0	0	0
Total Investment in Securities	813,381	548,156	444,546	628,327	618,352	297,398
Investments in Farm Credit Institutions	447	439	433	190	206	199
Notes Receivable Farm Credit Banks and Other	52,582	0	14,891	4,737	6,861	1,088
Accounts Receivable	198,201	241,051	136,371	2,566	38,499	50,852
Accrued Interest Receivable - Other Farm Credit Banks	1,547	0	226	50	64	6
Accrued Interest Receivable - Investments	2,511	4,489	2,363	2,325	1,558	661
Acquired Property	262,272	181,843	110,987	12,331	138,246	108,633
Less: Allowance for Losses	67,494	46,220	20,397	792	27,180	36,551
Less: Accumulated Depreciation	0	0	0	0	0	0
Net Acquired Property	194,778	135,623	90,590	11,539	111,066	71,982
Land, Buildings, and Equipment	15,277	7,948	22,040	13,489	8,025	30,523
Less: Accumulated Depreciation	4,890	4,674	7,239	1,677	2,877	5,066
Net Land, Buildings, and Equipment	10,387	3,274	14,801	11,812	5,148	25,457
Prepaid Expenses and Other Assets	2,756	9,045	5,779	3,748	4,543	13,044
Total Assets	\$6,796,738	\$5,063,472	\$4,330,485	\$3,137,404	\$5,100,963	\$3,513,317
Liabilities and Net Worth						
Drafts Outstanding	\$ 0	\$ 487	\$ 209	\$ 0	\$ 0	\$ 4,701
Notes Payable: FLBAs	1,112	0	0	102,519	0	0
Other Farm Credit Banks	0	0	0	0	0	50
Consolidated Systemwide Notes	783,985	421,749	222,361	369,476	1,070,753	332,718
Commercial Banks and Other	184,258	149,257	128,698	73,709	126,758	96,249
Securities Sold Under Agreement to Repurchase	0	0	34,225	0	0	0
Total Notes Payable	969,355	571,006	385,284	545,704	1,197,511	429,017
Accounts Payable	32,022	3,447	1,779	86,101	87,548	113,984
Accrued Interest Payable	171,230	124,810	119,989	59,994	112,885	90,355
Miscellaneous Trust Accounts	9,673	11,082	3,513	1,898	5,847	1,089
Unmatured Consolidated and Systemwide Bonds	5,430,500	4,204,600	3,585,579	2,285,087	3,452,900	2,762,993
Less: Unconsolidated Bonds Owned	0	50,000	0	0	0	0
Less: Unamortized Premiums and Discounts	2,235	114	(4,096)	(285)	(2,153)	(529)
Net Consolidated and Systemwide Bonds Outstanding	5,428,265	4,154,486	3,589,675	2,285,372	3,455,053	2,763,522
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	4,800	4,656	4,704	2,550	3,578	2,614
Total Liabilities	6,615,345	4,869,974	4,105,153	2,981,619	4,862,422	3,405,282
Capital Stock: Class B - FLBAs	315,206	227,855	218,518	128,562	236,906	164,327
Class C - FLBAs	0	0	10,000	0	0	0
Participation Certificates - FLBAs	12,828	5,075	8,517	8,735	1,433	3,414
Total Capital Stock	328,034	232,930	237,035	137,297	238,339	167,741
Earned Net Worth: Legal Reserve	(146,639)	0	0	18,489	200	0
Surplus Reserve	0	0	0	0	0	0
Earned Surplus	0	(39,435)	(11,700)	0	0	(59,706)
Total Earned Net Worth	(146,639)	(39,435)	(11,700)	18,489	200	(59,706)
Total Net Worth	181,395	193,495	225,335	155,786	238,539	108,035
Total Liabilities and Net Worth	\$6,796,740	\$5,063,469	\$4,330,488	\$3,137,405	\$5,100,961	\$3,513,317

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	1986	1985	Percent Change
Income			
Loan Interest Income: Mortgage Loans	\$ 4,466,762	\$ 5,624,709	(20.58)
Notes Receivable Other Farm Credit Banks	10,867	5,925	83.40
Sales Contracts (Net)	2,956	1,008	193.25
Penalty and Other Interest Income	79,029	105,969	(25.42)
Total Interest Income from Loans	4,559,614	5,737,611	(20.53)
Income from Investments (Net)	260,395	159,610	63.14
Compensation Income - Participations Sold	0	0	0.00
Appraisal and Loan Service Fees	13,615	13,998	(2.73)
Financially Related Services	1,897	1,714	10.67
Other Operating Income	49,997	3,222	1451.73
Gross Income	4,885,518	5,916,155	(17.42)
Expenses			
Notes and Bonds Expense: Cost of Bonds	4,391,461	5,284,871	(16.90)
Interest on Notes Payable	270,739	166,888	62.22
Interest on Future Payment Funds	24,316	25,930	(6.22)
Total Cost of Borrowed Funds	4,686,516	5,477,689	(14.44)
Compensation Expense - Participations Purchased	0	0	0.00
Operating Expense	312,262	290,279	7.57
Total Expenses	4,998,778	5,767,968	(13.33)
Net Gain (Loss) from Operations	(113,260)	148,187	(176.43)
Other Additions/Deductions:			
Profit (Loss) - Sale of Investment	2,576	247	942.91
Income (Expense) - Other	14,027	23,773	(40.99)
Net Profit (Loss) - Acquired Property	9,620	3,087	211.62
Provision for Losses - Acquired Property	(194,620)	(211,275)	(7.88)
Interest on Investments - Buildings/Premises	1,470	857	71.52
Income (Expense) - Loss Sharing	(137,104)	0	0.00
Income (Expense) - Capital Corp. Assessments	0	0	0.00
Other Gains (Losses)	457,860	32,464	1310.36
Total Other Additions and Deductions	153,829	(150,847)	(201.97)
Net Gain (Loss) before Provision for Losses	40,569	(2,660)	(1625.15)
Provision for Losses	1,459,897	(2,013,649)	(27.49)
Net Income (Loss)	\$(1,419,328)	\$(2,016,309)	(29.60)

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, 1986	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Income						
Loan Interest Income: Mortgage Loans	\$100,402	\$213,761	\$ 481,953	\$393,004	\$222,067	\$431,824
Notes Receivable Other Farm Credit Banks	153	885	2,363	597	793	346
Sales Contracts (Net)	0	1,179	0	0	0	0
Penalty and Other Interest Income	1,049	1,507	4,241	3,709	7,042	4,699
Total Interest Income from Loans	101,604	217,332	488,557	397,310	229,902	436,869
Income from Investments (Net)	4,594	12,501	28,241	17,329	13,809	25,132
Compensation Income - Participations Sold	0	0	0	0	0	0
Appraisal and Loan Service Fees	15	59	6,539	0	518	528
Financially Related Services	0	50	0	284	177	617
Other Operating Income	268	568	1,207	44	681	1,146
Gross Income	106,481	230,510	524,544	414,967	245,087	464,292
Expenses						
Notes and Bonds Expense: Cost of Bonds	80,787	190,064	464,929	410,459	264,375	412,504
Interest on Notes Payable	7,224	10,596	13,761	9,305	7,728	31,583
Interest on Future Payment Funds	8	0	0	0	0	0
Total Cost of Borrowed Funds	88,019	200,660	478,690	419,764	272,103	444,087
Compensation Expense - Participations Purchased	0	0	0	0	0	0
Operating Expense	10,795	17,545	34,099	27,846	22,187	31,165
Total Expenses	98,814	218,205	512,789	447,610	294,290	475,252
Net Gain (Loss) from Operations	7,667	12,305	11,755	(32,643)	(49,203)	10,960
Other Additions/Deductions:						
Profit (Loss) - Sale of Investment	0	0	0	409	0	0
Income (Expense) - Other	0	2	20	2	4,545	436
Net Profit (Loss) - Acquired Property	199	(353)	(1,353)	3,627	3,748	5,983
Provision for Losses - Acquired Property	(328)	93	(7,309)	(2,609)	(47,169)	(9,720)
Interest on Investments - Buildings/Premises	0	471	241	0	0	0
Income (Expense) - Loss Sharing	0	0	(150,860)	165	0	0
Income (Expense) - Capital Corp. Assessments	0	0	0	0	0	0
Other Gains (Losses)	(36,517)	(79,800)	(157)	(146,466)	144,131	(32,038)
Total Other Additions and Deductions	(36,646)	(79,587)	(159,418)	148,060	105,255	28,737
Net Gain (Loss) before Provision for Losses	(28,979)	(67,282)	(147,663)	115,417	56,052	17,777
Provision for Losses	(1,559)	(917)	144,339	172,027	152,425	105,839
Net Income (Loss)	\$ (27,420)	\$ (66,365)	\$ (292,002)	\$ (56,610)	\$ (96,373)	\$ (88,062)

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, 1986	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Income						
Loan Interest Income: Mortgage Loans	\$ 612,251	\$493,021	\$432,761	\$285,249	\$ 461,508	\$ 338,963
Notes Receivable Other Farm Credit Banks	2,099	3	189	201	2,548	689
Sales Contracts (Net)	1,307	399	25	0	0	45
Penalty and Other Interest Income	15,901	10,521	13,105	78	10,402	6,776
Total Interest Income from Loans	631,558	503,944	446,080	285,528	474,458	346,473
Income from Investments (Net)	32,585	27,965	31,796	23,203	24,359	18,885
Compensation Income - Participations Sold	0	0	0	0	0	0
Appraisal and Loan Service Fees	83	55	14	158	5,577	69
Financially Related Services	118	650	90	0	0	0
Other Operating Income	65	1,880	990	573	42,562	11
Gross Income	664,409	534,494	478,880	309,462	546,956	365,438
Expenses						
Notes and Bonds Expense: Cost of Bonds	649,470	496,841	437,666	238,330	414,078	331,958
Interest on Notes Payable	29,333	28,483	24,710	28,341	53,910	25,768
Interest on Future Payment Funds	0	9,707	0	6,591	0	8,010
Total Cost of Borrowed Funds	678,803	535,031	462,376	273,262	467,988	365,736
Compensation Expense - Participations Purchased	0	0	0	0	0	0
Operating Expense	49,119	36,038	29,953	17,347	15,029	21,140
Total Expenses	727,922	571,069	492,329	290,609	483,017	386,876
Net Gain (Loss) from Operations	(63,513)	(36,575)	(13,449)	18,853	63,939	(21,438)
Other Additions/Deductions:						
Profit (Loss) - Sale of Investment	1,565	512	15	65	0	10
Income (Expense) - Other	2,324	193	3,721	2,252	136	395
Net Profit (Loss) - Acquired Property	(4,576)	4,178	(654)	(248)	(1,176)	245
Provision for Losses - Acquired Property	(47,897)	(19,346)	(26,276)	(790)	(22,238)	(11,029)
Interest on Investments - Buildings/Premises	758	0	0	0	0	0
Income (Expense) - Loss Sharing	861	0	0	0	0	12,729
Income (Expense) - Capital Corp. Assessments	0	0	0	0	0	0
Other Gains (Losses)	125,150	233,502	212,477	(101,622)	(125,936)	(91,872)
Total Other Additions and Deductions	78,185	219,039	189,283	(100,343)	(149,214)	(89,522)
Net Gain (Loss) before Provision for Losses	14,672	182,464	175,834	(81,490)	(85,275)	(110,960)
Provision for Losses	333,382	221,901	187,535	7,053	29,449	108,424
Net Income (Loss)	\$(318,710)	\$(39,437)	\$(11,701)	\$(88,543)	\$(114,724)	\$(219,384)

Totals may not add due to rounding.

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

(Dollars in Millions)

For the Year Ended December 31, 1986	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Nonperforming Loans	\$ 37.7	\$100.0	\$628.4	\$811.3	\$791.7	\$1,199.7
Formally Restructured	0.0	8.5	0.2	1.8	0.0	0.6
Other Restructured and Reduced Rate	0.0	0.7	0.0	0.1	0.0	0.0
Other High Risk	13.2	47.1	176.2	304.0	410.5	534.9
Nonaccrual	24.5	43.7	452.0	505.4	381.2	664.2
Net Loan Chargeoffs	\$ 0.9	\$ 0.7	\$ 44.0	\$ 96.4	\$103.4	\$ 56.2
Selected Ratios						
Return on Assets	(2.71%)	(2.96%)	(5.71%)	(1.43%)	(3.58%)	(1.87%)
Return on Equity	(25.77%)	(29.88%)	(72.62%)	(27.26%)	(76.66%)	(36.36%)
Net Interest Margin	1.87%	1.34%	0.81%	(0.15%)	(1.30%)	0.43%
As of December 31, 1986						
Capital as a % of Assets	8.90%	8.45%	5.34%	4.46%	2.26%	3.93%
Debt-to-Capital (1)	10.24	10.84	17.72	21.43	43.17	24.42

Components may not add to totals due to rounding.

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

(Dollars in Millions)

For the Year Ended December 31, 1986	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Nonperforming Loans	\$2,705.6	\$1,530.1	\$1,066.7	\$144.9	\$798.1	\$724.1
Formally Restructured	30.5	4.1	2.4	5.4	14.0	0.0
Other Restructured and Reduced Rate	0.0	0.9	1.1	2.6	0.0	0.0
Other High Risk	1,550.1	696.3	314.9	42.7	410.4	51.7
Nonaccrual	1,125.0	828.8	688.3	94.2	373.7	672.4
Net Loan Chargeoffs	\$ 201.8	\$ 223.1	\$ 143.3	\$ 2.5	\$ 42.7	\$ 22.7
Selected Ratios						
Return on Assets	(4.52%)	(0.73%)	(0.25%)	(2.93%)	(2.30%)	(5.83%)
Return on Equity	(83.39%)	(15.86%)	(4.75%)	(41.72%)	(39.17%)	(89.16%)
Net Interest Margin	(0.24%)	(0.07%)	0.37%	1.21%	0.70%	(0.01%)
As of December 31, 1986						
Capital as a % of Assets	2.67%	3.82%	5.20%	4.97%	4.68%	3.08%
Debt-to-Capital (1)	36.47	25.17	18.22	19.14	20.38	31.52

Components may not add to totals due to rounding.

Table 27**Federal Land Bank Associations Combined Statement of Condition**

(Dollars in Thousands)

As of December 31	1986	1985	Percent Change
Assets			
Cash	\$ 21,006	\$ 13,617	54.26
Investments: U.S. Government Securities (Par)	820	33	2384.85
Government Supervised Institutions	338	7,613	(95.58)
Unamortized Premium or Discount (Net)	0	(37)	(100.00)
Federal Land Bank Obligations	178,958	415,510	(56.93)
Other (Par)	990	432	129.17
Total Investment in Securities	181,106	423,551	(57.24)
Investments in FLBs: Class B Stock	1,891,089	2,451,246	(22.85)
Class C Stock	19,562	0	N/A
Participation Certificates	83,092	141,123	(41.12)
Total Investment in FLBs	1,993,743	2,592,369	(23.09)
Notes Receivable Farm Credit Banks and Other	4,609	4,408	4.56
Accounts Receivable	7,784	46,341	(83.20)
Accrued Interest Receivable - Other Farm Credit Banks	897	7,736	(88.40)
Land, Buildings, and Equipment	148,278	175,218	(15.38)
Less: Accumulated Depreciation	44,837	46,592	(3.77)
Net Land, Buildings, and Equipment	103,441	128,626	(19.58)
Prepaid Expenses and Other Assets	79,288	8,326	852.29
Total Assets	\$2,391,874	\$3,224,974	(25.83)
Liabilities and Net Worth			
Notes Payable	\$ 8,481	\$ 432	1863.19
Accounts Payable	143,628	92,883	54.63
Accrued Interest Payable	7	42,241	(99.98)
Dividends Payable	16	823	(98.06)
Undistributed Collections and Trust Funds	11,872	10,207	16.31
Miscellaneous Trust Receipts	1,045	516	102.52
Other Liabilities	12,721	11,809	7.72
Total Liabilities	177,770	158,911	11.87
Allowance for Losses	75,668	112,110	(32.51)
Capital Stock Outstanding	2,127,307	2,451,245	(13.22)
Participation Certificates	95,865	141,121	(32.07)
Total Capital Stock	2,223,172	2,592,366	(14.24)
Earned Net Worth: Legal Reserve	(78,405)	87,033	(190.09)
Surplus Reserve	0	9,789	(100.00)
Earned Surplus	(6,118)	264,765	(102.31)
Total Earned Net Worth	(84,523)	361,587	(123.38)
Total Net Worth	2,138,649	2,953,953	(27.60)
Total Liabilities and Net Worth	\$2,392,087	\$3,224,974	(25.83)

N/A Not applicable.

Totals may not add due to rounding.

Table 23**Federal Land Banks Associations Statement of Condition by District**

(Dollars in Thousands)

As of December 31, 1986	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Assets						
Cash	\$ 358	\$ 357	\$ 234	\$ 384	\$ 294	\$ 424
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	4,105	64,515	6,801	0	0	20
Other (Par)	23	0	51	0	0	0
Total Investment in Securities	4,131	64,515	6,852	0	0	20
Investments in FLBs: Class B Stock	45,977	90,102	207,278	188,344	50,971	176,260
Class C Stock	0	0	0	0	0	0
Participation Certificates	4,847	10,179	25,129	4,488	3,596	0
Total Investment in FLBs	50,824	100,281	232,407	192,832	54,567	176,260
Notes Receivable Farm Credit Banks and Other	37	51	306	345	180	160
Accounts Receivable	136	(41)	99	33	33	1,438
Accrued Interest Receivable - Other Farm Credit Banks	0	323	1	1	0	1
Land, Buildings, and Equipment	5,837	11,915	20,149	10,726	10,666	12,557
Less: Accumulated Depreciation	1,890	3,580	6,838	3,302	3,866	3,114
Net Land, Buildings, and Equipment	3,947	8,335	13,311	7,424	6,800	9,443
Prepaid Expenses and Other Assets	10,969	72	21,015	1,189	27	741
Total Assets	\$70,402	\$173,893	\$274,225	\$202,208	\$ 61,901	\$188,487
Liabilities and Net Worth						
Notes Payable	\$ 0	\$ 34	\$ 311	\$ 157	\$ 0	\$ 7,329
Accounts Payable	622	592	2,147	7,670	7,013	941
Accrued Interest Payable	0	0	3	4	0	0
Dividends Payable	0	14	0	0	0	0
Undistributed Collections and Trust Funds	1	292	0	7	50	110
Miscellaneous Trust Receipts	0	1	0	(2)	0	3
Other Liabilities	233	216	2,298	1,533	279	3,844
Total Liabilities	856	1,149	4,759	9,369	7,342	12,227
Allowance for Losses	0	23,541	0	0	0	0
Capital Stock Outstanding	45,977	90,105	207,278	188,344	103,906	218,574
Participation Certificates	4,847	10,179	25,129	4,498	7,331	3,359
Total Capital Stock	50,824	100,284	232,407	192,842	111,237	221,933
Earned Net Worth: Legal Reserve	2,840	7,114	5,624	39	0	0
Surplus Reserve	0	0	0	0	0	0
Earned Surplus	15,883	41,807	31,433	(39)	(56,670)	(45,673)
Total Earned Net Worth	18,723	48,921	37,057	0	(56,670)	(45,673)
Total Net Worth	69,547	149,205	269,464	192,842	54,567	176,260
Total Liabilities and Net Worth	\$70,403	\$173,895	\$274,223	\$202,211	\$ 61,909	\$188,487

Totals may not add due to rounding.

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

(Dollars in Thousands)

As of December 31, 1986	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Assets						
Cash	\$ 10,376	\$ 2,280	\$ 4,189	\$ 1,471	\$ 297	\$ 341
Investments: U.S. Government Securities (Par)	816	0	0	4	0	0
Government Supervised Institutions	335	0	0	0	0	0
Unamortized Premium or Discount (Net)	0	0	0	0	0	0
Federal Land Bank Obligations	998	0	0	102,519	0	0
Other (Par)	16	0	0	900	0	0
Total Investment in Securities	2,165	0	0	103,423	0	0
Investments in FLBs: Class B Stock	173,561	210,283	218,518	128,562	236,906	164,327
Class C Stock	0	0	0	0	19,562	0
Participation Certificates	7,829	4,923	8,517	8,735	1,433	3,414
Total Investment in FLBs	181,390	215,206	227,035	137,297	257,901	167,741
Notes Receivable Farm Credit Banks and Other	1,023	282	268	198	563	1,196
Accounts Receivable	1,889	166	122	3,607	121	181
Accrued Interest Receivable - Other Farm Credit Banks	12	0	0	559	0	0
Land, Buildings, and Equipment	21,399	22,020	0	8,385	11,930	12,695
Less: Accumulated Depreciation	5,861	6,071	0	3,041	3,252	4,021
Net Land, Buildings, and Equipment	15,538	15,949	0	5,344	8,678	8,674
Prepaid Expenses and Other Assets	1,435	376	4	185	890	42,384
Total Assets	\$213,828	\$234,259	\$231,618	\$252,084	\$268,450	\$220,517
Liabilities and Net Worth						
Notes Payable	\$ 49	\$ 20	\$ 0	\$ 0	\$ 0	\$ 581
Accounts Payable	24,941	16,271	(312)	2,341	29,998	51,403
Accrued Interest Payable	0	0	0	0	0	0
Dividends Payable	0	0	0	2	0	0
Undistributed Collections and Trust Funds	5,496	1,826	3,803	0	15	272
Miscellaneous Trust Receipts	974	18	0	32	20	0
Other Liabilities	938	914	1,091	778	79	520
Total Liabilities	32,398	19,049	4,582	3,153	30,112	52,776
Allowance for Losses	303	0	0	51,824	0	0
Capital Stock Outstanding	314,531	210,283	218,518	128,557	236,906	164,327
Participation Certificates	13,499	4,923	8,517	8,735	1,433	3,414
Total Capital Stock	328,030	215,206	227,035	137,292	238,339	167,741
Earned Net Worth: Legal Reserve	(121,488)	0	0	27,466	0	0
Surplus Reserve	0	0	0	0	0	0
Earned Surplus	(25,151)	0	0	32,292	0	0
Total Earned Net Worth	(146,639)	0	0	59,758	0	0
Total Net Worth	181,391	215,206	227,035	197,050	238,339	167,741
Total Liabilities and Net Worth	\$214,092	\$234,255	\$231,617	\$252,027	\$268,451	\$220,517

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	1986	1985	Percent Change
Income			
Applications and Loan Fees	\$ 15,161	\$ 12,604	20.29
Federal Land Bank Compensation	175,620	161,720	8.60
Dividend Interest	0	2,309	(100.00)
Interest Income from Notes Receivable and Investments	26,142	51,852	(49.58)
Financially Related Services	6,738	8,469	(20.44)
Other Operating Income	2,977	8,388	(64.51)
Gross Income	226,638	245,342	(7.62)
Expenses			
Directors' Expense	4,973	6,895	(27.88)
Salaries	115,188	107,488	7.16
Annual Leave	1,761	211	734.60
Employee Benefits	23,503	26,654	(11.82)
Purchased Services	7,142	3,876	84.26
Travel Expense	8,077	8,569	(5.74)
Cost of Space Occupied	12,806	11,634	10.07
Communications	7,620	6,624	15.04
Printing and Office Supplies	2,930	1,894	54.70
Furniture and Equipment Expense	5,747	4,635	23.99
Data Processing Service Center	661	1,387	(52.34)
Data Processing Services Purchased	4,185	2,114	97.97
Management Information Services	0	0	0.00
Advertising	2,136	3,396	(37.10)
Public and Member Relations	3,284	4,286	(23.38)
Training	1,210	1,363	(11.23)
Farmbank Services Expense	3	0	N/A
Abstracts, Record Reports, Filing, Etc.	752	372	102.15
Supervisory and Examination Expense	2,553	878	190.77
Other Expenses	77,026	1,856	4050.11
Subtotal	281,557	194,132	45.03
Miscellaneous Expense Credits	2,849	1,928	47.77
Total Operating Expenses	278,708	192,204	45.01
Net Gain (Loss) from Operations	(52,070)	53,138	(197.99)
Other Additions and Deductions:			
Interest on Investment - Buildings/Premises	(9)	14	(164.29)
Income (Expense) - Office Building or Premises	172	61	181.97
Income (Expense) - Land/Buildings (Investment)	118	(52)	(326.92)
Gain (Loss) - Sale of Investment	244	0	N/A
Other Gains (Losses)	(323,803)	(114,378)	183.10
Income (Expense) - Acquired Property	(1,098)	0	N/A
Net Profit (Loss) from Disposition of Acquired Property	(562)	0	N/A
Total Other Additions and Deductions	(324,938)	(164,178)	97.92
Net Gain (Loss) before Provision for Losses	(377,008)	(111,040)	239.52
Provision for Losses	15,758	48,918	(67.79)
Net Income (Loss)	\$(392,766)	\$(159,958)	145.54

N/A Not Applicable.

Totals may not add due to rounding.

Table 30
Federal Land Banks Associations Statement of Income by District

(Dollars in Thousands)

For the Year Ended December 31, 1986	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Income						
Applications and Loan Fees	\$ 453	\$ 5,343	\$ 601	\$ 206	\$ 205	\$ 30
Federal Land Bank Compensation	5,205	10,192	23,698	16,634	10,600	15,398
Dividend Interest	0	0	0	0	0	0
Interest Income from Notes Receivable and Investments	1,450	4,378	12	2,039	22	13
Financially Related Services	151	1,009	1,222	2,131	56	470
Other Operating Income	24	(25)	13	72	8	124
Gross Income	7,283	20,897	25,546	21,082	10,891	16,035
Expenses						
Directors' Expense	164	324	331	562	170	500
Salaries	3,911	7,419	13,739	10,249	6,531	9,143
Annual Leave	213	0	486	179	203	406
Employee Benefits	878	1,879	3,098	2,118	1,292	1,744
Purchased Services	88	151	468	94	50	42
Travel Expense	449	589	1,000	530	754	718
Cost of Space Occupied	241	773	1,502	1,268	754	1,165
Communications	230	464	877	800	444	654
Printing and Office Supplies	80	172	339	327	142	247
Furniture and Equipment Expense	181	268	623	402	281	295
Data Processing Service Center	0	203	0	93	0	59
Data Processing Services Purchased	275	38	505	122	0	28
Management Information Services	0	0	0	0	0	0
Advertising	88	178	281	287	32	261
Public and Member Relations	130	325	346	460	157	288
Training	57	99	105	84	9	145
Farmbank Services Expense	0	0	0	0	0	0
Abstracts, Record Reports, Filing, Etc.	10	20	32	78	0	24
Supervisory and Examination Expense	118	200	281	9	0	0
Other Expenses	173	89	396	698	26	120
Subtotal	7,286	13,191	24,409	18,360	10,845	15,839
Miscellaneous Expense Credits	9	2	398	0	0	0
Total Operating Expenses	7,277	13,189	24,011	18,360	10,845	15,839
Net Gain (Loss) from Operations	6	7,708	1,535	2,722	46	196
Other Additions and Deductions:						
Interest on Investments - Buildings/Premises	0	4	0	(20)	0	0
Income (Expense) - Office Building or Premises	0	46	59	0	1	0
Income (Expense) - Land/Buildings (Investment)	53	2	(8)	0	0	3
Gain (Loss) - Sale of Investment	0	0	0	0	0	1
Other Gains (Losses)	(206)	16	90	(6,818)	(66,308)	(75,150)
Income (Expense) - Acquired Property	0	(109)	0	20	0	4
Net Profit (Loss) from Disposition of Acquired Property	0	(212)	0	0	0	0
Total Other Additions and Deductions	(153)	(253)	141	(6,818)	(66,307)	(75,142)
Net Gain (Loss) before Provision for Losses	(147)	7,455	1,676	(4,096)	(66,261)	(74,946)
Provision for Losses	0	(233)	0	1,004	0	0
Net Income (Loss)	\$ (147)	7,688	1,676	\$ (5,100)	\$(66,261)	\$(74,946)

Totals may not add due to rounding.

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

(Dollars in Thousands)

For the Year December 31, 1986	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Income						
Applications and Loan Fees	\$ 548	\$ 4,975	\$ 108	\$ 2,094	\$ (115)	\$ 712
Federal Land Bank Compensation	35,891	20,661	17,239	7,154	3,026	9,923
Dividend Interest	0	0	0	0	0	0
Interest Income from Notes Receivable and Investments	1,727	42	42	10,037	1,201	5,177
Financially Related Services	1,066	0	1	260	142	230
Other Operating Income	1,352	935	45	41	2	387
Gross Income	40,584	26,613	17,435	19,586	4,256	16,429
Expenses						
Directors' Expense	909	402	335	619	440	219
Salaries	19,359	14,240	10,969	6,099	6,601	6,927
Annual Leave	177	0	4	92	0	0
Employee Benefits	3,387	3,080	1,724	1,481	1,343	1,479
Purchased Services	1,476	2,811	201	1,484	138	136
Travel Expense	1,268	528	709	589	577	367
Cost of Space Occupied	2,069	1,861	1,029	601	792	752
Communications	1,474	872	716	356	378	354
Printing and Office Supplies	732	230	299	92	127	145
Furniture and Equipment Expense	1,151	1,095	849	189	221	191
Data Processing Service Center	303	(1)	1	0	0	0
Data Processing Services Purchased	1,261	1,319	2	0	240	395
Management Information Services	0	0	0	0	0	0
Advertising	370	76	173	249	51	89
Public and Member Relations	570	201	182	207	295	122
Training	399	101	89	66	48	8
Farmbank Services Expense	3	0	0	0	0	0
Abstracts, Record Reports, Filing, Etc.	160	291	38	15	12	71
Supervisory and Examination Expense	1,009	937	0	0	0	0
Other Expenses	648	342	211	41	31,072	43,211
Subtotal	36,725	28,385	17,531	12,180	42,335	54,466
Miscellaneous Expense Credits	14	2,068	140	173	46	0
Total Operating Expenses	36,711	26,317	17,391	12,007	42,289	54,466
Net Gain (Loss) from Operations	3,873	296	44	7,579	(38,033)	(38,037)
Other Additions and Deductions:						
Interest on Investment - Buildings/Premises	0	0	5	4	0	0
Income (Expense) - Office Building or Premises	5	52	10	0	0	0
Income (Expense) - Land/Buildings (Investment)	27	21	1	(2)	7	16
Gain (Loss) - Sale of Investment	(189)	0	0	0	433	0
Other Gains (Losses)	(162,571)	(368)	(60)	18	37	(12,485)
Income (Expense) -Acquired Property	(28)	0	0	(13)	9	(982)
Net Profit (Loss) from Disposition of Acquired Property	(227)	(1)	0	(15)	2	(109)
Total Other Additions and Deductions	(162,983)	(296)	(44)	8	488	(13,560)
Net Gain (Loss) before Provision for Losses	(159,110)	0	0	7,571	(37,545)	(61,597)
Provision for Losses	1,042	0	0	12,331	0	1,615
Net Income (Loss)	\$(160,152)	\$ 0	\$ 0	\$(4,760)	\$(37,545)	\$(53,212)

Totals may not add due to rounding.

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

(Dollars in Millions)

For the Year Ended December 31, 1986	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 and 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
Net Loan Chargeoffs	\$(0.5)	*	\$0.0	\$0.0	\$0.0	\$0.0
Selected Ratios						
Return on Assets	(0.20%)	4.31%	0.57%	(2.05%)	(53.01%)	(29.75%)
Return on Equity	(0.20%)	5.01%	0.58%	(2.44%)	(55.16%)	(30.88%)
Net Interest Margin	N/A	N/A	N/A	N/A	N/A	N/A
As of December 31, 1986						
Capital as a % of Assets	98.79%	85.80%	98.26%	95.37%	88.15%	93.51%
Debt-to-Capital (1)	1.23	16.55	1.77	4.86	13.44	6.94

Components may not add to totals due to rounding.

* Less than \$50,000 net chargeoff.

N/A Not applicable.

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

(Dollars in Millions)

For the Year Ended December 31, 1986	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 and 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
Net Loan Chargeoffs	\$ 0.3	\$ 0.0	\$ 0.0	\$ 0.3	\$ 0.0	\$19.2
Selected Ratios						
Return on Assets	(41.42%)	0.00%	0.00%	(1.86%)	(13.40%)	(21.55%)
Return on Equity	(47.57%)	0.00%	0.00%	(2.23%)	(14.02%)	(24.61%)
Net Interest Margin	N/A	N/A	N/A	N/A	N/A	N/A
As of December 31, 1986						
Capital as a % of Assets	84.83%	91.87%	98.02%	78.17%	88.78%	76.07%
Debt-to-Capital (1)	17.88	8.85	2.02	27.93	12.63	31.46

Components may not add to totals due to rounding.

Table 32 Federal Intermediate Credit Banks Combined Statement of Condition

(Dollars in Thousands)

As of December 31	1986	1985	Percent Change
Assets			
Loans and Discounts: PCAs	\$10,212,202	\$12,928,713	(21.01)
Other Financial Institutions	275,034	536,877	(48.77)
Participation Loans - PCAs	36,382	61,985	(41.30)
Other Participations	3,402	3,092	10.02
Sales Contracts, Notes, Etc.	5,915	3,810	55.24
Farm Credit Leasing Services Corp.	0	0	0.00
Nonaccrual	172,327	193,084	(10.75)
Accrued Interest Receivable on Loans	220,462	323,053	(31.75)
Gross Loan and Discount Items	10,925,724	14,050,614	(22.24)
Less: Allowance for Losses	81,253	144,914	(43.93)
Less: Unapplied Loan Payments	27,187	36,449	(25.41)
Net Loan and Discount Items	10,817,284	13,869,251	(22.00)
Cash	86,722	73,073	18.67
Investments: U.S. Government Securities (Par)	130,395	122,995	6.01
Securities Government Supervised Institutions (Par)	49,700	100,225	(50.41)
Other Securities and Federal Funds	3,265,099	1,850,468	76.44
Investment in DBC Bankers Acceptances (Par)	0	40,500	(100.00)
Unamortized Premium or Discount (Net)	(8,677)	(4,785)	81.33
Unamortized Defer Gain/Loss Security Sales (Net)	153	324	(52.77)
Total Investment in Securities	3,436,670	2,109,727	62.89
Investments in PCAs: Paid in Surplus (Net)	(750)	(450)	66.66
Class A Stock	0	0	0.00
Class B Stock	0	2,589	(100.00)
Class D Stock	30,898	47,534	(34.99)
Total Investments in PCAs	30,148	49,673	(39.30)
Investments in Farm Credit Institutions	6,646	0	0.00
Notes Receivable Farm Credit Banks and Others	59,388	170,598	(65.18)
Accounts Receivable	12,212	50,620	(75.87)
Accrued Interest Receivable - Other Farm Credit Banks	422	1,085	(61.10)
Accrued Interest Receivable - Investments	16,063	11,113	44.54
Acquired Property	47,382	28,623	65.53
Less: Allowance for Losses	12,186	6,037	101.85
Less: Accumulated Depreciation	0	2	(100.00)
Net Acquired Property	35,196	22,584	55.84
Land, Buildings, and Equipment	71,962	80,048	(10.10)
Less: Accumulated Depreciation	18,914	14,369	31.63
Net Land, Buildings, and Equipment	53,048	65,679	(19.23)
Prepaid Expenses and Other Assets	17,738	25,708	(31.00)
Total Assets	\$14,571,537	\$16,449,111	(11.41)
Liabilities and Net Worth			
Notes Payable: Other Farm Credit Banks	\$ 33,156	\$ 8,402	294.62
Consolidated Systemwide Notes	3,632,406	2,800,471	29.70
Commercial Banks and Other	381,578	279,952	36.30
Securities Sold Under Agreement to Repurchase	25,000	0	0.00
Total Notes Payable	4,072,140	3,088,825	31.83
Accounts Payable	183,424	117,242	56.44
Accrued Interest Payable	191,589	344,730	(44.42)
Unmatured Consolidated and Systemwide Bonds	8,222,967	11,024,436	(25.41)
Less: Unamortized Discounts and Premiums	(1,597)	0	0.00
Less: Consolidated Bonds Owned	88,239	88,154	0.09
Net Consolidated and Systemwide Bonds Outstanding	8,136,325	10,936,282	(25.60)
Unmatured Farm Credit Investment Bonds Outstanding	25,831	28,218	(8.45)
Matured Farm Credit Investment Bonds Outstanding	3	3	0.00
Other Liabilities	138,705	66,778	107.71
Total Liabilities	12,748,017	14,582,078	(12.57)
Capital Stock: Class B Stock - PCAs	1,332,064	1,341,253	(0.68)
Participation Certificates	41,569	61,287	(32.17)
Total Capital Stock	1,373,633	1,402,540	(2.06)
Earned Net Worth: Surplus Reserved	63,067	63,067	0.00
Surplus Unallocated	22,459	30,913	(27.34)
Legal Reserve	345,808	356,385	(2.96)
Reserve for Contingencies - Unallocated	18,555	14,127	31.34
Undistributed Earnings	0	0	0.00
Total Earned Net Worth	449,889	464,492	(3.14)
Total Net Worth	1,823,522	1,867,032	(2.33)
Total Liabilities and Net Worth	\$14,571,539	\$16,449,110	(11.41)

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, 1986	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Assets						
Loans and Discounts: PCAs	\$515,107	\$635,109	\$ 957,966	\$ 888,805	\$417,314	\$549,841
Other Financial Institutions	0	0	970	0	53,060	11,348
Participation Loans - PCAs	0	23,578	0	0	0	336
Other Participations	0	0	0	0	0	0
Sales Contracts, Notes, Etc.	0	64	2,204	0	904	0
Farm Credit Leasing Services Corp.	0	0	0	0	0	0
Nonaccrual	877	988	25,242	2,909	10,909	1,711
Accrued Interest Receivable on Loans	0	4,422	7,241	53,382	10,970	13,206
Gross Loan and Discount Items	515,984	664,161	993,623	945,096	493,157	576,442
Less: Allowance for Losses	169	883	7,777	5,555	2,590	5,500
Less: Unapplied Loan Payments	0	0	0	0	0	11,042
Net Loan and Discount Items	515,815	663,278	985,846	939,541	490,567	559,900
Cash	4,355	(2,911)	87	4,407	696	12,719
Investments: U.S. Government Securities (Par)	0	1,470	0	27,000	0	0
Securities Government Supervised Institutions (Par)	0	0	5,600	10,000	0	0
Other Securities and Federal Funds	115,000	153,607	265,327	120,496	105,749	229,453
Investment in DBC Bankers Acceptances (Par)	0	0	0	0	0	0
Unamortized Premium or Discount (Net)	0	(8)	(30)	(453)	0	0
Unamortized Defer Gain/Loss Security Sales (Net)	0	0	153	0	0	0
Total Investment in Securities	115,000	155,069	271,050	157,043	105,749	229,453
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	5,417
Total Investments in PCAs	0	0	4,223	0	10,589	5,417
Investments in Farm Credit Institutions	170	292	2,762	411	154	414
Notes Receivable Farm Credit Banks and Other	903	9,907	0	4,000	5,525	0
Accounts Receivable	186	208	872	1,625	331	388
Accrued Interest Receivable - Other Farm Credit Banks	3	55	0	16	50	0
Accrued Interest Receivable - Investments	386	487	2,126	594	1,714	577
Acquired Property	194	224	6,181	643	11,744	354
Less: Allowance for Losses	0	13	597	73	2,432	9
Less: Accumulated Depreciation	0	0	0	0	0	0
Net Acquired Property	194	211	5,584	570	9,312	345
Land, Buildings, and Equipment	4,161	0	2,626	4,810	8,231	11,412
Less: Accumulated Depreciation	334	0	1,354	914	1,239	3,653
Net Land, Buildings, and Equipment	3,827	0	1,272	3,896	6,992	7,759
Prepaid Expenses and Other Assets	227	488	1,432	1,577	825	751
Total Assets	\$641,066	\$827,084	\$1,275,254	\$1,113,680	\$632,504	\$817,723
Liabilities and Net Worth						
Notes Payable: Other Farm Credit Banks	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,033	\$ 0
Consolidated Systemwide Notes	131,247	224,431	121,521	44,755	117,281	183,827
Commercial Banks and Other	0	20,104	35,720	30,639	15,559	23,111
Securities Sold Under Agreement to Repurchase	0	0	0	25,000	0	0
Total Notes Payable	131,247	244,535	157,241	100,394	152,873	206,938
Accounts Payable	7,233	8,839	15,504	11,847	5,603	10,176
Accrued Interest Payable	8,334	11,345	14,517	21,926	7,909	10,087
Unmatured Consolidated and Systemwide Bonds	425,500	462,000	858,250	719,523	368,630	445,000
Less: Unamortized Discounts and Premiums	109	17	(167)	(567)	168	0
Less: Consolidated Bonds Owned	0	0	38,000	0	0	0
Net Consolidated & Systemwide Bonds Outstanding	425,391	461,983	820,417	720,090	368,462	445,000
Unmatured Farm Credit Investment Bonds Outstanding	0	25,825	0	0	0	0
Matured Farm Credit Investment Bonds Outstanding	0	0	0	0	0	0
Other Liabilities	9,673	286	552	92	113	360
Total Liabilities	\$81,878	\$752,813	\$1,008,231	\$854,349	\$534,960	\$672,561
Capital Stock: Class B Stock - PCAs	42,209	50,477	185,949	181,417	67,826	103,388
Participation Certificates	0	0	196	42	5,616	1,193
Total Capital Stock	42,209	50,477	186,145	181,459	73,442	104,581
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	12,021	17,472	72,017	59,250	19,965	34,487
Reserve for Contingencies - Unallocated	0	1,718	3,064	10,195	0	0
Undistributed Earnings	0	0	0	0	0	0
Total Earned Net Worth	16,981	23,798	80,874	77,871	24,102	40,580
Total Net Worth	\$59,190	\$74,275	\$267,019	\$259,330	\$97,544	\$145,161
Total Liabilities and Net Worth	\$641,068	\$827,088	\$1,275,250	\$1,113,679	\$632,504	\$817,722

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, 1986	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Assets						
Loans and Discounts: PCAs	\$1,872,976	\$635,310	\$560,356	\$ 713,329	\$1,998,189	\$467,901
Other Financial Institutions	20,358	2,333	42,758	97,980	43,754	2,473
Participation Loans - PCAs	0	0	0	2,132	10,335	0
Other Participations	(493)	0	0	0	0	3,895
Sales Contracts, Notes, Etc.	142	113	0	1,934	554	0
Farm Credit Leasing Services Corp.	0	0	0	0	0	0
Nonaccrual	6,772	51,476	1,667	53,798	3,747	12,233
Accrued Interest Receivable on Loans	50,245	5,733	5,046	5,798	60,708	3,710
Gross Loan and Discount Items	1,950,000	694,965	609,827	874,971	2,117,287	490,212
Less: Allowance for Losses	4,246	11,400	24,319	14,167	1,504	3,142
Less: Unapplied Loan Payments	16,049	0	0	93	0	3
Net Loan and Discount Items	1,929,705	683,565	585,508	860,711	2,115,783	487,067
Cash	19,314	3,167	2,333	475	37,501	4,580
Investments: U.S. Government Securities (Par)	78,000	3,925	15,000	0	0	5,000
Securities Government Supervised Institutions (Par)	0	100	0	0	0	34,000
Other Securities and Federal Funds	504,621	167,681	49,997	759,484	684,086	109,599
Investment in DBC Bankers Acceptances (Par)	0	0	0	0	0	0
Unamortized Premium or Discount (Net)	(4,826)	(347)	194	(814)	(831)	(1,562)
Unamortized Defer Gain/Loss Security Sales (Net)	0	0	0	0	0	0
Total Investment in Securities	577,795	171,359	65,191	758,670	683,255	147,037
Investments in PCAs: Paid in Surplus (Net)	0	0	0	(750)	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	4,900	1,770	0	4,000
Total Investments in PCAs	0	0	4,900	1,020	0	4,000
Investments in Farm Credit Institutions	684	203	407	410	195	545
Notes Receivable Farm Credit Banks and Others	1,084	12,949	14,599	8,221	2,199	0
Accounts Receivable	2,673	1,645	2,021	612	1,486	168
Accrued Interest Receivable - Other Farm Credit Banks	79	119	25	35	27	13
Accrued Interest Receivable - Investments	932	1,454	519	2,487	4,493	294
Acquired Property	987	4,568	368	4,819	17,239	61
Less: Allowance for Losses	57	3,200	22	614	5,170	0
Less: Accumulated Depreciation	0	0	0	0	0	0
Net Acquired Property	930	1,368	346	4,205	12,069	61
Land, Buildings, and Equipment	15,271	2,175	4,484	11,648	6,055	1,089
Less: Accumulated Depreciation	4,958	1,204	1,694	1,144	2,124	297
Net Land, Buildings, and Equipment	10,313	971	2,790	10,504	3,931	792
Prepaid Expenses and Other Assets	2,410	4,109	1,118	1,606	2,085	1,110
Total Assets	\$2,545,919	\$880,909	\$679,757	\$1,648,956	\$2,863,024	\$645,667
Liabilities and Net Worth						
Notes Payable: Other Farm Credit Banks	\$ 1,323	\$ 0	\$ 0	\$ 0	\$ 11,800	\$ 0
Consolidated Systemwide Notes	539,012	163,263	170,046	685,910	1,135,048	116,066
Commercial Banks and Other	69,053	31,643	22,060	37,117	76,263	20,309
Securities Sold Under Agreement to Repurchase	0	0	0	0	0	0
Total Notes Payable	609,388	194,906	192,106	723,027	1,223,111	136,375
Accounts Payable	25,216	45,082	8,159	11,938	23,706	10,126
Accrued Interest Payable	36,677	13,230	9,235	13,806	35,755	8,766
Unmatured Consolidated and Systemwide Bonds	1,552,519	525,932	324,159	791,664	1,341,735	408,055
Less: Unamortized Discounts and Premiums	599	28	(1,780)	(272)	267	0
Less: Consolidated Bonds Owned	239	50,000	0	0	0	0
Net Consolidated & Systemwide Bonds Outstanding	1,551,681	475,904	325,939	791,936	1,341,468	408,055
Unmatured Farm Credit Investment Bonds Outstanding	6	0	0	0	0	0
Matured Farm Credit Investment Bonds Outstanding	3	0	0	0	0	0
Other Liabilities	85,720	932	1,490	3,380	34,976	1,130
Total Liabilities	2,308,691	730,054	536,929	1,544,087	2,659,016	564,452
Capital Stock: Class B Stock - PCAs	201,574	135,681	97,226	57,557	147,251	61,511
Participation Certificates	3,948	7,147	6,727	7,850	4,203	4,646
Total Capital Stock	205,522	142,828	103,953	65,407	151,454	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	22,839	0	32,111	22,150	48,013	5,484
Reserve for Contingencies - Unallocated	0	713	0	0	0	2,865
Undistributed Earnings	0	0	0	0	0	0
Total Earned Net Worth	31,706	8,026	38,875	39,463	52,554	15,060
Total Net Worth	237,228	150,854	142,828	104,870	204,008	81,217
Total Liabilities and Net Worth	\$2,545,919	\$880,908	\$679,757	\$1,648,957	\$2,863,024	\$645,669

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	1986	1985	Percent Change
Income			
Loan Interest Income: Loans and Discounts	\$1,173,570	\$1,672,489	(29.83)
Sales Contracts	392	298	31.54
Notes Receivable Other Farm Credit Banks	5,087	3,170	60.47
Other Interest Income	405	190	113.15
Total Interest Income from Loans	1,179,454	1,676,147	(29.63)
Income from Investments (Net)	140,764	121,988	15.39
Other Operating Income	3,630	(13,266)	(127.36)
Gross Income	1,323,848	1,784,869	(25.82)
Notes and Bonds Expense: Cost of Bonds	816,559	1,344,580	(39.27)
Interest on Notes Payable	221,721	164,796	34.54
Total Cost of Borrowed Funds	1,038,280	1,509,376	(31.21)
Compensation Expense - Participations Purchased	394	81	386.41
Operating Expense	102,509	104,372	(1.78)
Total Expenses	1,141,183	1,613,829	(29.28)
Net Gain (Loss) from Operations	182,665	171,040	6.79
Other Additions/Deductions:			
Profit (Loss) - Sale of Investment	1,222	26	4600.00
Income (Expense) - Other	99	88	12.50
Net Profit (Loss) - Acquired Property	(314)	(1)	*** ***(1)
Provision for Losses - Acquired Property	(6,908)	(4,065)	69.93
Income (Expense) - Loss Sharing	(23,722)	0	0.00
Income (Expense) - Capital Corp. Assessments	0	0	0.00
Other Gains (Losses)	(156,545)	(96,118)	62.86
Total Other Additions and Deductions	(186,168)	(100,070)	86.03
Net Gain (Loss) before Provision for Losses	(3,503)	70,970	(104.93)
Provision for Losses on Loans	(15,591)	160,276	(109.72)
Net Income (Loss)	\$ 12,088	\$ (89,306)	(113.53)

(1) Percent Change exceeds 9999.99 or (999.99).

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, 1986	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Income						
Loan Interest Income: Loans and Discounts	\$49,224	\$57,798	\$116,477	\$ 97,399	\$48,201	\$62,667
Sales Contracts	0	47	105	0	0	0
Notes Receivable Other Farm Credit Banks	273	966	197	406	500	418
Other Interest Income	2	0	0	5	0	0
Total Interest Income from Loans	49,499	58,811	116,779	97,810	48,701	63,085
Income from Investments (Net)	4,733	7,882	11,100	8,488	3,116	8,283
Other Operating Income	151	192	396	32	81	291
Gross Income	54,383	66,885	128,275	106,330	51,898	71,659
Notes and Bonds Expense: Cost of Bonds	34,318	45,441	79,940	72,862	38,045	45,223
Interest on Notes Payable	9,028	11,096	13,120	5,545	5,414	10,848
Total Cost of Borrowed Funds	43,346	56,537	93,060	78,407	43,459	56,071
Compensation Expense - Participations Purchased	0	0	0	0	0	0
Operating Expense	6,820	5,697	7,265	8,400	4,991	11,513
Total Expenses	50,166	62,234	100,325	86,807	48,450	67,584
Net Gain (Loss) from Operations	4,217	4,651	27,950	19,523	3,448	4,075
Other Additions/Deductions:						
Profit (Loss) - Sale of Investment	0	0	0	920	0	0
Income (Expense) - Other	0	0	0	0	26	0
Net Profit (Loss) - Acquired Property	(1)	(2)	(191)	(13)	(2)	24
Provision for Losses - Acquired Property	0	(8)	(515)	(38)	1	0
Income (Expense) - Loss Sharing	0	0	(12,480)	(11,243)	0	0
Income (Expense) - Capital Corp. Assessments	0	0	0	0	0	0
Other Gains (Losses)	(5,408)	(6,954)	24	18,482	(3,107)	(8,703)
Total Other Additions and Deductions	(5,408)	(6,964)	(13,162)	8,108	(3,084)	(8,679)
Net Gain (Loss) before Provision for Losses	(1,192)	(2,313)	14,788	27,631	364	(4,604)
Provision for Losses on Loans	0	21	(3,720)	446	1,661	0
Net Income (Loss)	\$ (1,192)	\$ (2,334)	\$ 18,508	\$ 27,185	\$ (1,297)	\$ (4,604)

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, 1986	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Income						
Loan Interest Income: Loans and Discounts	\$223,719	\$87,989	\$ 71,634	\$ 84,565	\$215,190	\$58,708
Sales Contracts	6	9	0	211	17	0
Notes Receivable Other Farm Credit Banks	1,498	95	60	202	134	339
Other Interest Income	1	126	241	0	32	0
Total Interest Income from Loans	225,224	88,219	71,935	84,978	215,375	59,047
Income from Investments (Net)	22,269	7,671	5,264	29,791	24,258	7,909
Other Operating Income	674	341	257	373	827	17
Gross Income	248,167	96,231	77,456	115,142	240,458	66,973
Notes and Bonds Expense: Cost of Bonds	161,034	59,682	39,653	61,379	139,355	39,624
Interest on Notes Payable	33,016	9,444	14,995	35,767	60,933	12,515
Total Cost of Borrowed Funds	194,050	69,126	54,648	97,146	200,288	52,139
Compensation Expense - Participations Purchased	0	0	0	0	0	394
Operating Expense	14,253	9,326	7,237	8,352	11,219	7,434
Total Expenses	208,303	78,452	61,885	105,498	211,507	59,967
Net Gain (Loss) from Operations	39,864	17,779	15,571	9,644	28,951	7,006
Other Additions/Deductions:						
Profit (Loss) - Sale of Investment	149	43	0	0	0	110
Income (Expense) - Other	0	25	0	120	0	(74)
Net Profit (Loss) - Acquired Property	(6)	98	(2)	38	(245)	(9)
Provision for Losses - Acquired Property	(35)	(1,810)	(13)	242	(4,736)	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)	(90,757)	(9,595)	(8,189)	(11,938)	(23,569)	(6,830)
Total Other Additions and Deductions	(90,649)	(11,239)	(8,204)	(11,538)	(28,550)	(6,830)
Net Gain (Loss) before Provision for Losses	(50,785)	6,540	7,367	(1,894)	401	203
Provision for Losses on Loans	(37,992)	5,828	10,451	2,809	3,820	1,084
Net Income (Loss)	\$ (12,793)	\$ 712	\$ (3,084)	\$ (4,703)	\$ (3,419)	\$ (881)

Totals may not add due to rounding.

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

(Dollars in Millions)

For the Year Ended December 31, 1986	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Nonperforming Loans	\$ 0.9	\$51.2	\$983.2	\$808.5	\$11.8	\$ 1.7
Formally Restructured	0.0	0.0	0.0	0.0	0.0	0.0
Other Restructured and Reduced Rate	0.0	0.0	0.0	0.0	0.0	0.0
Other High Risk	0.0	50.2	958.0	805.6	0.9	0.0
Nonaccrual	0.9	1.0	25.2	2.9	10.9	1.7
Net Loan Chargeoffs	*	\$ 0.1	\$ 7.6	\$ (0.1)	\$ 4.0	\$ 0.2
Selected Ratios						
Return on Assets	(0.19%)	(0.29%)	1.33%	2.19%	(0.20%)	(0.53%)
Return on Equity	(2.00%)	(3.12%)	7.18%	10.12%	(11.31%)	(3.12%)
Net Interest Margin	1.74%	1.27%	2.60%	2.38%	1.36%	1.83%
As of December 31, 1986						
Capital as a % of Assets	9.23%	8.98%	20.94%	23.29%	15.42%	17.75%
Debt-to-Capital	9.83	10.14	3.78	3.29	5.48	4.63

Components may not add to totals due to rounding.

* Less than \$50,000 net chargeoff.

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

(Dollars in Millions)

For the Year Ended December 31, 1986	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Nonperforming Loans	\$1,651.7	\$687.7	\$253.9	\$145.1	\$1,008.1	\$484.0
Formally Restructured	441.0	0.0	0.0	0.0	489.5	0.0
Other Restructured and Reduced Rate	0.0	0.0	0.0	0.0	0.0	0.0
Other High Risk	1,203.9	636.2	252.2	91.3	514.9	471.8
Nonaccrual	6.8	51.5	1.7	53.8	3.7	12.2
Net Loan Chargeoffs	\$ 1.5	\$ 0.1	\$ 0.1	\$ 0.3	\$ 15.2	\$ 2.6
Selected Ratios						
Return on Assets	(0.48%)	0.07%	(0.38%)	(0.31%)	(0.12%)	(0.12%)
Return on Equity	(5.32%)	0.48%	(2.15%)	(4.29%)	(1.69%)	(1.01%)
Net Interest Margin	2.08%	2.74%	2.84%	1.22%	1.48%	2.08%
As of December 31, 1986						
Capital as a % of Assets	9.32%	17.12%	21.01%	6.36%	7.13%	12.58%
Debt-to-Capital (1)	9.73	4.84	3.76	14.72	13.03	6.95

Components may not add to totals due to rounding.

Table 37 Production Credit Associations Combined Statement of Condition

(Dollars in Thousands)

As of December 31	1986	1985	Percent Change
Assets			
Loans: To Members (Net)	\$ 9,903,562	\$13,327,688	(25.69)
Lease Receivable	18,711	24,329	(23.09)
Sales, Contracts, Notes, Etc.	91,985	84,259	9.16
Nonaccrual Loans	1,018,193	891,547	14.20
Accounts Receivable - From Members	7,226	7,393	(2.25)
Accrued Interest Receivable on Loans	321,431	506,716	(36.56)
Gross Loan Items	11,361,108	14,841,932	(23.45)
Less: Allowance for Losses	688,149	666,594	3.23
Net Loan Items	10,672,959	14,175,338	(24.70)
Cash	51,735	26,553	(94.83)
Investments: U.S. Government Securities (Par)	54	147	(63.26)
Securities Government Supervised Institutions (Par)	0	485	(100.00)
Other Bonds and Securities (Par)	1,180	271	335.42
Investment in DBC Bankers Acceptances (Par)	0	470	(100.00)
Unamortized Premium or Discount (Net)	(1)	(18)	(94.44)
Total Investment in Securities	1,233	1,355	(9.00)
Investments in Farm Credit Institutions:			
FICB Class B Stock (Par)	1,327,415	1,331,990	(0.34)
Equity in FICB Allocated to Local Reserve	338,733	345,479	(1.95)
Participation Certificates - PCAs	0	0	0.00
Total Investment in Farm Credit Institutions	1,666,148	1,677,469	(0.67)
Soil, Water, and Farm Ownership Programs	1	9	(88.88)
Investment in Farmers' Notes to Cooperatives and Dealers	5,332	6,525	(18.28)
Notes Receivable from Farm Credit Banks and Other	38,941	32,687	19.13
Accounts Receivable - Other than Members	16,659	47,541	64.95
Accrued Interest Receivable - Other Farm Credit Banks	1,474	1,231	19.74
Accrued Interest Receivable - Investments	266	315	(15.55)
Acquired Property	201,035	225,614	(10.89)
Less: Allowance for Losses	56,777	62,137	(8.62)
Less: Accumulated Depreciation	1,804	1,910	(5.54)
Net Acquired Property	142,454	161,567	(11.82)
Acquired Property - Operations	208	876	(76.25)
Less: Accumulated Depreciation	0	71	(100.00)
Net Acquired Property - Operations	208	805	(74.16)
Land, Buildings, and Equipment	289,766	308,454	(6.05)
Less: Accumulated Depreciation	111,785	107,099	4.37
Net Land, Buildings, and Equipment	177,981	201,355	(11.60)
Prepaid Expenses and Other Assets	130,751	41,971	211.52
Total Assets	\$12,906,142	\$16,374,721	(21.18)
Liabilities and Net Worth			
Drafts Outstanding	\$ 6,539	\$ 6,227	5.01
Notes Payable: Federal Intermediate Credit Banks	10,062,574	12,759,793	(21.13)
Other Notes Payable	129,378	125,961	2.71
Total Notes Payable	10,191,952	12,885,754	(20.90)
Accounts Payable	18,170	24,354	(25.39)
Accrued Interest Payable	218,714	312,285	(29.96)
Trust Accounts	4,140	3,212	28.89
Dividend and Patronage Distributions Payable	184	897	(79.25)
Loans Rediscounted with FICB	148,797	199,731	(25.50)
Provision for Federal and Other Income Taxes	3,439	6,475	(46.88)
Undistributed Dividends - Credit Life Insurance	291	397	26.70
Other Liabilities	56,596	36,747	54.01
Total Liabilities	10,648,822	13,476,069	(20.97)
Capital Stock: Class A Stock - FICBs	4	0	0.00
Class A Stock - Members	32,309	24,675	30.93
Class B Stock - Members	1,054,050	1,415,457	(25.53)
Class C Stock - FICBs	16,146	1,804	795.01
Class C Stock - Members	10,589	2,589	308.99
Class D Stock	20,309	47,534	(57.27)
Participation Certificates	17,446	22,896	(23.80)
Total Capital Stock	1,150,853	1,514,955	(24.03)
Earned Net Worth: Equity Reserve	0	0	0.00
Paid in Surplus - FICBs	0	300	(100.00)
Surplus Reserved	1,121,882	1,382,299	(18.83)
Surplus Allocated	5,998	7,817	(23.26)
Earnings Reserved for Stock Dividends	5	6	(16.66)
Earnings Reserved for Patronage Distribution	0	185	(100.00)
Undistributed Earnings	(21,356)	(6,908)	209.14
Total Earned Net Worth	1,106,529	1,383,699	(20.03)
Total Net Worth	2,257,382	2,898,654	(22.12)
Total Liabilities and Net Worth	\$12,906,204	\$16,374,723	(21.18)

Totals may not add due to rounding.

Table 38**Production Credit Associations Statement of Condition by District**

(Dollars in Thousands)

As of December 31, 1986	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Assets						
Loans: To Members (Net)	\$558,769	\$706,439	\$ 839,494	\$ 807,668	\$446,716	\$577,340
Lease Receivable	0	27	0	0	0	2,703
Sales, Contracts, Notes, Etc.	1,786	924	3,170	13,579	3,236	3,597
Nonaccrual Loans	9,853	11,739	118,875	93,209	20,883	57,790
Accounts Receivable - From Members	13	228	1,476	386	255	447
Accrued Interest Receivable on Loans	5,765	12,666	27,090	25,562	12,682	27,003
Gross Loan Items	576,186	732,023	990,105	940,404	483,772	668,880
Less: Allowance for Losses	21,943	25,910	68,772	37,663	24,672	37,171
Net Loan Items	554,243	706,113	921,333	902,741	459,100	631,709
Cash	5,654	459	1,663	11,529	1,373	25
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)	135	6	0	0	296	0
Investment in DBC Bankers Acceptances (Par)	0	0	0	0	0	0
Unamortized Premium or Discount (Net)	0	0	0	0	0	0
Total Investment in Securities	135	6	0	0	296	0
Investments in Farm Credit Institutions:						
FICB Class B Stock (Par)	42,209	50,477	185,949	181,466	67,826	103,388
Equity in FICB Allocated to Legal Reserve	12,021	17,472	71,943	59,255	19,369	34,320
Participation Certificates - PCAs	0	0	0	0	0	0
Total Investment in Farm Credit Institutions	54,230	67,949	257,892	240,721	87,195	137,708
Soil, Water, and Farm Ownership Programs	0	0	0	0	1	0
Investment in Farmers' Notes to Cooperatives and Dealers	663	1,250	2,376	377	532	0
Notes Receivable from Farm Credit Banks and Other	0	1,936	24,966	2,035	281	1,351
Accounts Receivable - Other than Members	1,616	555	2,293	2,041	26	158
Accrued Interest Receivable - Other Farm Credit Banks	0	241	909	60	12	45
Accrued Interest Receivable - Investments	2	37	153	23	31	0
Acquired Property	880	2,992	12,268	18,560	4,665	12,864
Less: Allowance for Losses	36	373	3,811	6,071	2,207	5,009
Less: Accumulated Depreciation	0	0	15	403	0	41
Net Acquired Property	844	2,619	8,442	12,086	2,458	7,814
Acquired Property - Operations	0	0	0	0	0	175
Less: Accumulated Depreciation	0	0	0	0	0	0
Net Acquired Property - Operations	0	0	0	0	0	175
Land, Buildings, and Equipment	6,822	11,858	27,962	32,138	13,130	29,016
Less: Accumulated Depreciation	2,972	3,698	11,160	12,186	6,267	11,987
Net Land, Buildings, and Equipment	3,850	8,160	16,802	19,952	6,863	17,029
Prepaid Expenses and Other Assets	948	475	2,347	29,250	229	795
Total Assets	\$622,185	\$789,800	\$1,239,176	\$1,220,815	\$558,397	\$796,809
Liabilities and Net Worth						
Drafts Outstanding	\$ 0	\$ 0	\$ 0	\$ 1,275	\$ 0	\$ 2,016
Notes Payable: Federal Intermediate Credit Banks	505,463	634,648	952,778	740,338	419,180	537,323
Other Notes Payable	9,703	1,201	1,832	1,148	0	1,416
Total Notes Payable	515,166	635,849	954,610	741,486	419,180	538,739
Accounts Payable	382	678	1,869	3,189	752	1,877
Accrued Interest Payable	0	4,257	7,400	53,426	9,744	13,134
Trust Accounts	180	0	1,418	57	0	1
Dividend and Patronage Distributions Payable	10	11	55	1	31	7
Loans Rediscounted with FICB	0	0	0	148,797	0	0
Provision for Federal and Other Income Taxes	186	344	140	1,137	6	17
Undistributed Dividends - Credit Life Insurance	0	0	0	0	0	0
Other Liabilities	884	1,497	2,175	4,135	546	17,755
Total Liabilities	516,808	642,636	967,667	953,503	430,259	573,546
Capital Stock: Class A Stock - FICBs	0	0	0	0	0	0
Class A Stock - Members	1,100	5,336	3,684	3,378	2,073	1,553
Class B Stock - Members	48,450	50,562	109,102	88,236	57,297	71,658
Class C Stock - FICBs	0	0	0	0	0	0
Class C Stock - Members	0	0	0	0	10,589	0
Class D Stock	0	0	4,223	0	0	5,417
Participation Certificates	697	959	6,468	754	531	194
Total Capital Stock	50,247	56,857	123,477	92,368	70,490	78,822
Earned Net Worth: Equity Reserve	0	0	0	0	0	0
Paid in Surplus - FICBs	0	0	0	0	0	0
Surplus Reserved	55,128	90,285	147,758	190,421	57,253	141,320
Surplus Allocated	0	0	273	0	0	3,121
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	68	0	(15,476)	395	0
Total Earned Net Worth	55,128	90,354	148,034	174,945	57,649	144,441
Total Net Worth	105,375	147,211	271,511	267,313	128,139	223,263
Total Liabilities and Net Worth	\$622,183	\$789,847	\$1,239,178	\$1,220,816	\$558,398	\$796,809

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, 1986	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Assets						
Loans: To Members (Net)	\$1,773,805	\$463,557	\$522,696	\$834,926	\$1,963,079	\$409,074
Lease Receivable	16,050	0	(68)	0	0	0
Sales, Contracts, Notes, Etc.	28,873	8,879	5,979	6,653	10,361	4,947
Nonaccrual Loans	198,907	101,292	77,070	57,643	178,014	92,917
Accounts Receivable - From Members	1,578	1,640	112	565	453	75
Accrued Interest Receivable on Loans	49,836	30,178	30,763	28,222	63,773	7,891
Gross Loan Items	2,069,049	605,546	636,552	928,009	2,215,680	514,904
Less: Allowance for Losses	184,557	66,000	59,619	44,954	82,962	33,926
Net Loan Items	1,884,492	539,546	576,933	883,055	2,132,718	480,978
Cash	4,974	8,210	9,091	3,037	4,090	1,630
Investments: U.S. Government Securities (Par)	37	0	0	17	0	0
Securities Government Supervised Institutions (Par)	0	0	0	0	0	0
Other Bonds and Securities (Par)	61	682	0	0	0	0
Investment in DBC Bankers Acceptances (Par)	0	0	0	0	0	0
Unamortized Premium or Discount (Net)	0	0	0	(1)	0	0
Total Investment in Securities	98	682	0	16	0	0
Investments in Farm Credit Institutions:						
FICB Class B Stock (Par)	201,574	135,681	97,226	57,557	147,251	56,813
Equity in FICB Allocated to Legal Reserve	22,299	0	30,326	20,510	46,529	4,689
Participation Certificates - PCAs	0	0	0	674	0	0
Total Investment in Farm Credit Institutions	223,873	135,681	127,552	78,741	193,780	61,502
Soil, Water, and Farm Ownership Programs	0	0	0	0	0	0
Investment in Farmers' Notes to Cooperatives and Dealers	134	0	0	0	0	0
Notes Receivable from Farm Credit Banks and Other	2,471	1,474	2,609	74	923	822
Accounts Receivable - Other than Members	12,654	787	1,826	2,652	114	247
Accrued Interest Receivable - Other Farm Credit Banks	67	61	26	2	3	48
Accrued Interest Receivable - Investments	19	0	0	0	0	0
Acquired Property	60,725	15,214	10,558	20,581	35,571	6,158
Less: Allowance for Losses	22,078	5,500	3,887	2,851	4,013	941
Less: Accumulated Depreciation	986	6	32	0	0	321
Net Acquired Property	37,661	9,708	6,639	17,730	31,558	4,896
Acquired Property - Operations	12	21	0	0	0	0
Less: Accumulated Depreciation	0	0	0	0	0	0
Net Acquired Property - Operations	12	21	0	0	0	0
Land, Buildings, and Equipment	65,215	27,236	17,533	15,566	33,727	9,564
Less: Accumulated Depreciation	20,741	11,259	7,454	7,207	12,642	4,213
Net Land, Buildings, and Equipment	44,474	15,977	10,079	8,359	21,085	5,351
Prepaid Expenses and Other Assets	89,735	1,398	1,846	2,448	1,128	153
Total Assets	\$2,300,664	\$713,545	\$736,601	\$996,114	\$2,385,399	\$555,627
Liabilities and Net Worth						
Drafts Outstanding	\$ 1,343	\$ 0	\$ 30	\$ 1,875	\$ 0	\$ 0
Notes Payable: Federal Intermediate Credit Banks	1,871,515	621,579	558,903	763,412	1,998,092	459,343
Other Notes Payable	92,578	6,908	1,561	1,412	9,648	1,969
Total Notes Payable	1,964,093	628,487	560,464	764,824	2,007,740	461,312
Accounts Payable	7,097	3,435	2,314	1,061	3,889	(63)
Accrued Interest Payable	50,910	6,096	4,855	5,302	59,984	3,606
Trust Accounts	255	66	1,768	432	10	(47)
Dividend and Patronage Distributions Payable	0	0	3	68	0	0
Loans Rediscouted with FICB	0	0	0	0	0	0
Provision for Federal and Other Income Taxes	66	4	695	709	0	134
Undistributed Dividends - Credit Life Insurance	0	0	289	1	0	0
Other Liabilities	3,730	9,078	1,720	3,043	3,222	8,812
Total Liabilities	2,027,494	647,166	572,138	777,315	2,074,845	473,754
Capital Stock: Class A Stock - FICBs	0	0	4	0	0	0
Class A Stock - Members	10,420	333	2,859	1,164	25	383
Class B Stock - Members	190,214	52,123	50,432	96,738	197,072	42,166
Class C Stock - FICBs	0	0	0	0	16,146	0
Class C Stock - Members	0	0	0	0	0	0
Class D Stock	0	0	4,900	1,770	0	4,000
Participation Certificates	990	146	1,291	1,533	4,511	45
Total Capital Stock	201,624	52,602	59,486	101,205	217,754	46,594
Earned Net Worth: Equity Reserve	0	0	0	0	0	0
Paid in Surplus - FICBs	0	0	0	0	0	0
Surplus Reserved	74,715	13,778	104,889	120,043	92,797	33,496
Surplus Allocated	0	0	288	534	0	1,782
Earnings Reserved for Stock Dividends	0	0	0	0	0	0
Earnings Reserved for Patronage Distribution	0	0	0	0	0	0
Undistributed Earnings	(3,172)	0	(197)	(2,973)	0	0
Total Earned Net Worth	71,543	13,778	104,980	117,604	92,797	35,278
Total Net Worth	273,167	66,380	164,466	218,809	310,551	81,872
Total Liabilities and Net Worth	\$2,300,661	\$713,546	\$736,604	\$996,124	\$2,385,396	\$555,626

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	1986	1985	Percent Change
Income			
Loan Interest Income: Loans	\$1,334,059	\$1,889,446	(29.39)
Sales Contracts	9,543	8,622	10.68
Notes Receivable	4,485	3,120	43.75
Total Interest Income from Loans	1,348,087	1,901,188	(29.09)
Income from Investments (Net)	2,452	1,100	122.90
Appraisal and Loan Service Fees	7,028	7,735	(9.14)
Financially Related Services	29,620	42,362	30.07
Compensation Income - Participations Sold	0	0	0.00
Other Operating Income	72,430	51,786	39.86
Dividends from FICBs	0	0	0.00
Gross Income	1,459,617	2,004,171	(27.17)
Expenses			
Interest Expense - Notes Payable, Etc.	1,157,216	1,592,627	(27.33)
Compensation Expense - Participations Bought	80	(2)	(4100.00)
Operating Expenses	303,671	342,201	(11.25)
Total Expenses	1,460,967	1,934,826	(24.49)
Net Gain (Loss) from Operations	(1,350)	69,345	(101.94)
Other Additions/Deductions:			
Gain (Loss) - Sale of Investment	(21)	(31)	(32.25)
Income (Expense) - Office Building/Premises	189	115	64.34
Income (Expense) - Land/Buildings (Investment)	50	18	177.77
Cash Over or Short (Net)	(13)	0	0.00
Income (Expense) - Mineral Reservations	144	157	(8.28)
Income (Expense) - Acquired Property	(2,074)	(1,681)	23.37
Gain (Loss) - Disposition of Acquired Property	(6,175)	(15,045)	58.95
Income (Expense) - Lease Equipment	45	160	(71.87)
Other Gains (Losses)	59,915	129,997	(53.91)
Total Other Additions and Deductions	52,060	113,690	(54.20)
Net Gain (Loss) before Provision for Losses	50,710	183,035	(72.29)
Provision for Losses	(355,133)	(722,746)	50.86
Net Gain (Loss) before Income Taxes	(304,423)	(539,711)	(43.59)
Less: Federal and Other Income Taxes	(5,763)	4,281	(234.61)
Net Income before Adjustment - Prior Years	(298,660)	(543,992)	(45.09)
Adjustment for Prior Years	5,902	15,532	(62.00)
Net Income (Loss)	(292,758)	(528,460)	(44.60)
Distribution of FICB Earnings	17,241	(71,369)	(124.15)
Final Net Income (Loss)	\$ (275,517)	\$ (599,829)	(54.06)

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, 1986	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Income						
Loan Interest Income: Loans	\$58,687	\$72,029	\$124,173	\$112,786	\$55,506	\$81,456
Sales Contracts	226	77	401	1,823	312	420
Notes Receivable	4	257	2,684	343	325	29
Total Interest Income from Loans	58,917	72,363	127,258	114,952	56,143	81,905
Income from Investments (Net)	130	98	338	104	69	0
Appraisal and Loan Service Fees	116	29	3,235	47	1,574	11
Financially Related Services	3,064	527	2,650	2,917	1,128	2,242
Compensation Income - Participations Sold	0	0	0	0	0	0
Other Operating Income	51	574	62	135	18	(76)
Dividends from FICBs	0	0	0	0	0	0
Gross Income	62,278	73,591	133,543	118,355	58,932	84,082
Expenses						
Interest Expense - Notes Payable, Etc.	49,201	56,014	116,420	96,144	42,706	61,150
Compensation Expense - Participations Bought	0	0	0	0	80	0
Operating Expenses	16,632	13,597	25,887	34,456	14,883	23,685
Total Expenses	65,833	69,611	142,307	130,600	57,669	84,835
Net Gain (Loss) from Operations	(3,555)	3,980	(8,764)	(12,245)	1,263	(753)
Other Additions/Deductions:						
Gain (Loss) - Sale of Investment	0	(20)	(1)	0	0	0
Income (Expense) - Office Building/Premises	0	45	11	(37)	19	0
Income (Expense) - Land/Buildings (Investment)	2	2	(2)	59	0	12
Cash Over or Short (Net)	0	0	0	0	0	0
Income (Expense) - Mineral Reservations	0	0	0	0	2	0
Income (Expense) - Acquired Property	(141)	(60)	(332)	451	33	137
Gain (Loss) - Disposition of Acquired Property	(266)	20	870	(2,273)	231	269
Income (Expense) - Lease Equipment	0	15	(9)	10	1	52
Other Gains (Losses)	239	48	3,177	(386)	(6)	(1,102)
Total Other Additions and Deductions	(166)	50	3,714	(2,176)	280	(632)
Net Gain (Loss) before Provision for Losses	(3,721)	4,030	(5,050)	(14,421)	1,543	(1,385)
Provision for Losses	(601)	(2,130)	(45,571)	(17,491)	(1,032)	(2,435)
Net Gain (Loss) before Income Taxes	(4,322)	1,900	(50,621)	(31,912)	511	(3,820)
Less: Federal and Other Income Taxes	216	745	90	1,362	32	1,325
Net Income before Adjustment - Prior Years	(4,538)	1,155	(50,711)	(33,274)	479	(5,145)
Adjustment for Prior Years	870	(11)	61	767	(228)	0
Net Income	(3,668)	1,144	(50,650)	(32,507)	251	(5,145)
Distribution of FICB Earnings	(1,193)	(232)	17,792	17,006	0	0
Final Net Income (Loss)	\$ (4,861)	\$ 912	\$ (32,858)	\$ (15,501)	\$ 251	\$ (5,145)

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, 1986	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Income						
Loan Interest Income: Loans	\$ 248,449	\$ 77,775	\$ 81,978	\$ 94,519	\$260,345	\$ 66,357
Sales Contracts	2,326	1,009	903	558	937	547
Notes Receivable	454	109	122	4	118	33
Total Interest Income from Loans	251,229	78,893	83,003	95,081	261,400	66,937
Income from Investments (Net)	1,702	1	11	0	0	0
Appraisal and Loan Service Fees	411	26	9	285	666	421
Financially Related Services	10,353	1,601	1,187	2,201	680	1,074
Compensation Income - Participations Sold	0	0	0	0	0	0
Other Operating Income	69,608	1,797	42	118	35	63
Dividends from FICBs	0	0	0	0	0	0
Gross Income	333,303	82,318	84,252	97,685	262,781	68,495
Expenses						
Interest Expense - Notes Payable, Etc.	224,450	86,341	75,369	75,275	217,443	56,707
Compensation Expense - Participations Bought	0	0	0	0	0	0
Operating Expenses	57,689	27,828	20,429	20,974	33,939	13,673
Total Expenses	282,139	114,168	95,798	96,249	251,382	70,380
Net Gain (Loss) from Operations	51,164	(31,851)	(11,546)	1,436	11,399	(1,885)
Other Additions/Deductions:						
Gain (Loss) - Sale of Investment	0	0	0	0	0	0
Income (Expense) - Office Building/Premises	15	52	17	5	33	27
Income (Expense) - Land/Buildings (Investment)	1	(28)	(7)	5	8	(1)
Cash Over or Short (Net)	(13)	0	0	0	0	0
Income (Expense) - Mineral Reservations	0	0	65	76	0	0
Income (Expense) - Acquired Property	(204)	(343)	(127)	93	(1,540)	(42)
Gain (Loss) - Disposition of Acquired Property	(3,048)	(97)	(1,077)	(84)	(625)	(96)
Income (Expense) - Lease Equipment	(21)	0	0	(4)	0	0
Other Gains (Losses)	3,236	35,007	(883)	3,915	16,590	79
Total Other Additions and Deductions	(34)	34,591	(2,012)	4,006	14,466	(33)
Net Gain (Loss) before Provision for Losses	51,130	2,740	(13,558)	5,442	25,865	(1,918)
Provision for Losses	(143,616)	(8,861)	(10,232)	(14,290)	(89,011)	(19,863)
Net Gain (Loss) before Income Taxes	(92,486)	(6,121)	(23,790)	(8,848)	(63,146)	(21,781)
Less: Federal and Other Income Taxes	(7,597)	4	360	(2,436)	6	131
Net Income before Adjustment - Prior Years	(84,889)	(6,125)	(24,150)	(6,412)	(63,152)	(21,912)
Adjustment for Prior Years	379	323	2,365	412	652	310
Net Income (Loss)	(84,510)	(5,802)	(21,785)	(6,000)	(62,500)	(21,602)
Distribution of FICB Earnings	(12,492)	0	(3,039)	(599)	0	0
Final Net Income (Loss)	\$ (97,002)	\$ (5,802)	\$(24,824)	\$ (6,599)	\$ (62,500)	\$(21,602)

Totals may not add due to rounding.

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

(Dollars in Millions)

For the Year Ended December 31, 1986	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Nonperforming Loans	\$22.0	\$46.4	\$178.9	\$202.3	\$407.0	\$128.3
Formally Restructured	0.0	2.0	0.1	16.9	0.0	0.0
Other Restructured and Reduced Rate	0.0	0.0	0.0	0.0	0.1	0.0
Other High Risk	12.1	32.7	59.9	92.2	386.0	70.5
Nonaccrual	9.9	11.7	118.9	93.2	20.9	57.8
Net Loan Chargeoffs	\$ 1.6	\$ 1.7	\$ 23.0	\$ 25.9	\$ 3.2	\$ 8.3
Selected Ratios						
Return on Assets	(0.74%)	0.12%	(2.22%)	(1.10%)	0.04%	(0.55%)
Return on Equity	(4.37%)	0.62%	(10.87%)	(5.35%)	0.18%	(2.14%)
Net Interest Margin	1.66%	2.32%	1.01%	1.88%	2.67%	2.86%
As of December 31, 1986						
Capital as a % of Assets	16.94%	18.64%	21.91%	21.90%	22.95%	28.02%
Debt-to-Capital (-1)	4.90	4.37	3.56	3.57	3.36	2.57

Components may not add to totals due to rounding.

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

(Dollars in Millions)

For the Year Ended December 31, 1986	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Nonperforming Loans	\$710.3	\$144.1	\$126.4	\$86.7	\$457.8	\$116.8
Formally Restructured	169.4	0.9	1.0	0.1	33.5	0.2
Other Restructured and Reduced Rate	10.2	0.6	0.1	0.2	0.4	0.0
Other High Risk	331.8	41.3	48.2	28.8	245.9	23.7
Nonaccrual	198.9	101.3	77.1	57.6	178.0	92.9
Net Loan Chargeoffs	\$ 80.9	\$ 65.1	\$ 25.0	\$14.6	\$ 46.2	\$ 11.9
Selected Ratios						
Return on Assets	(3.70%)	(0.62%)	(2.64%)	(0.61%)	(2.34%)	(3.13)
Return on Equity	(28.04%)	(6.33%)	(12.25%)	(2.88%)	(17.38%)	(20.76%)
Net Interest Margin	1.32%	(1.16%)	1.06%	2.13%	1.98%	1.82%
As of December 31, 1986						
Capital as a % of Assets	11.87%	9.30%	22.33%	21.97%	13.02%	14.74%
Debt-to-Capital (-1)	7.42	9.75	3.48	3.55	6.68	5.79

Components may not add to totals due to rounding.

Table 42 Banks for Cooperatives Combined Statement of Condition

(Dollars in Thousands)

As of December 31	1986	1985	Percent Change
Assets			
Loans to Cooperatives: Seasonal Loans	\$2,306,266	\$ 2,681,361	(13.98)
Term	4,588,297	4,912,440	(6.59)
Commodity	110,529	170,008	(34.98)
Acceptances	218,981	119,114	83.84
Subtotal	7,224,073	7,882,923	(8.35)
Less: Participations	0	0	0.00
Less: Acceptances Discounted to Other Farm Credit Banks	0	0	0.00
Less: Unapplied Loan Payments	2,456	2,090	17.51
Less: Unearned Income (Acceptances)	1,079	1,092	(1.19)
Total Loans to Cooperative Associations	7,220,538	7,879,741	(8.36)
Nonaccrual Loans	47,954	131,159	(63.43)
Sales Contracts, Notes, Etc.	126,141	91,201	38.31
Accrued Interest Receivable on Loans	129,444	160,709	(19.45)
Gross Loan Items	7,524,077	8,262,810	(8.94)
Less: Allowance for Losses	145,524	131,916	10.31
Net Loan Items	7,378,553	8,130,894	(9.25)
Cash	13,489	11,902	13.16
Investments: U.S. Government Securities (Par)	66,250	17,250	284.05
Securities Government Supervised Institutions (Par)	29,000	40,504	(28.40)
Other Securities and Federal Funds	2,186,557	2,263,257	(3.38)
Investments in DBC Bankers Acceptances (Net)	0	0	0.00
Unamortized Premium or Discount (Net)	(5,236)	(7,609)	(31.18)
Total Investment in Securities	2,276,571	2,313,402	(1.59)
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	11,630	0	0.00
Notes Receivable Farm Credit Banks and Other	23,114	47,283	(51.11)
Accounts Receivable	20,442	18,393	11.14
Accrued Interest Receivable - Other Farm Credit Banks	96	983	(90.23)
Accrued Interest Receivable - Investments	15,887	6,015	164.12
Acquired Property	18,356	11,988	53.11
Less: Accumulated Depreciation	357	197	81.21
Less: Allowance for Losses	2,494	598	317.05
Net Acquired Property	15,505	11,193	38.52
Land, Buildings, and Equipment	54,996	56,650	(2.91)
Less: Accumulated Depreciation	11,463	9,513	20.49
Net Land, Buildings, and Equipment	43,533	47,137	(7.64)
Customers Liability on Acceptances Outstanding	0	0	0.00
Prepaid Expenses and Other Assets	12,474	30,426	(59.00)
Total Assets	\$9,811,274	\$10,617,628	(7.59)
Liabilities and Net Worth			
Notes Payable: Other Farm Credit Banks	\$ 48,574	\$ 436,564	(88.87)
Consolidated Systemwide Notes	4,277,282	4,395,091	(2.68)
Commercial Banks and Other	117,728	79,539	48.01
Securities Sold Under Agreement to Repurchase	0	4,875	(100.00)
Total Notes Payable	4,443,584	4,916,069	(9.61)
Accounts Payable	85,690	36,200	136.71
Accrued Interest Payable	105,318	140,275	(24.92)
Unmatured Consolidated and Systemwide Bonds	3,806,122	4,125,662	(7.74)
Less: Unamortized Discounts and Premiums	(14,068)	0	0.00
Less: Consolidated Bonds Owned	35,000	35,000	0.00
Net Consolidated and Systemwide Bonds Outstanding	3,785,190	4,090,662	(7.46)
Unmatured Farm Credit Investment Bonds Outstanding	270,490	227,347	18.97
Matured Farm Credit Investment Bonds Outstanding	0	0	0.00
Capital Stock and Equities Called for Retirement	32,617	29,648	10.01
Bankers Liability on Acceptances Outstanding	0	0	0.00
Other Liabilities	13,967	11,332	23.25
Total Liabilities	8,736,856	9,451,533	(7.56)
Capital Stock: Class B - All	687	534	28.65
Class C - District Banks	0	0	0.00
Class C - Cooperative Associations	766,789	830,155	(7.63)
Class D - All	613	1,039	(41.00)
Other - Cooperative Associations	0	1,530	(100.00)
Class C - Subscribed - Cooperative Associations	0	0	0.00
Class C - Subscribed - District Banks	0	0	0.00
Participation Certificates	3,207	0	0.00
Total Capital Stock	771,296	833,258	(7.43)
Earned Net Worth: Surplus Reserved	84,268	88,111	(4.36)
Surplus Allocated to Cooperative Associations	174,943	198,361	(11.80)
Surplus Allocated to District Banks	0	0	0.00
Surplus Unallocated	43,910	46,361	(5.28)
Undistributed Earnings	0	0	0.00
Total Earned Net Worth	303,121	332,833	(8.92)
Total Net Worth	1,074,417	1,166,091	(7.86)
Total Liabilities and Net Worth	\$9,811,273	\$10,617,624	(7.59)

Totals may not add due to rounding.

Table 43
Banks for Cooperatives Statement of Condition by District

(Dollars in Thousands)

As of December 31, 1986	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Assets						
Loans to Cooperatives: Seasonal Loans	\$ 98,920	\$ 60,014	\$ 68,065	\$109,418	\$ 93,486	\$ 80,223
Term	271,180	96,929	434,681	472,019	770,361	249,475
Commodity	0	0	9,580	5,000	0	8,441
Acceptances	0	0	47,896	0	57,838	0
Subtotal	370,100	156,943	560,222	586,437	921,685	338,139
Less: Participations	239,602	104,420	309,013	251,506	584,766	70,034
Less: Acceptances Discounted to Other Farm Credit						
Banks	0	0	0	0	0	0
Less: Unapplied Loan Payments	0	0	19	530	1,000	0
Less: Unearned Income (Acceptances)	0	0	152	0	367	0
Total Loans to Cooperative Associations	130,498	52,523	251,038	334,401	335,552	268,105
Nonaccrual Loans	566	1,222	1,605	1,115	1,774	911
Sales Contracts, Notes, Etc.	32	67	11,788	0	0	0
Accrued Interest Receivable on Loans	2,490	(929)	(1,457)	(3,100)	6,228	5,231
Gross Loan Items	133,586	52,883	262,974	332,416	343,554	274,247
Less: Allowance for Losses	2,127	1,591	9,613	8,375	3,074	9,767
Net Loan Items	131,459	51,292	253,361	324,041	340,480	264,480
Cash	121	(3,345)	444	1,496	1,517	1,903
Investments: U.S. Government Securities (Par)	0	0	0	0	1,000	0
Securities Government Supervised Institutions (Par)	0	0	0	10,000	12,000	0
Other Securities and Federal Funds	25,000	17,864	50,193	43,153	36,507	90,280
Investments in DBC Bankers Acceptances (Net)	0	0	0	0	0	0
Unamortized Premium or Discount (Net)	0	0	0	10	(4)	0
Total Investment in Securities	25,000	17,864	50,193	53,163	49,503	90,280
Investments in Central Bank for Cooperatives	22,208	10,393	27,500	27,710	52,606	16,683
Investments in Other Banks for Cooperatives	216	0	275	0	0	0
Investments in Farm Credit Institutions	160	552	2,359	784	570	574
Notes Receivable Farm Credit Banks and Other	897	11,006	0	0	17,773	5,957
Accounts Receivable	1,358	417	2,653	1,289	3,850	1,028
Accrued Interest Receivable - Other Farm Credit Banks	5	35	0	1	73	0
Accrued Interest Receivable - Investments	98	19	60	576	476	89
Acquired Property	135	62	177	265	312	495
Less: Accumulated Depreciation	0	0	0	0	0	0
Less: Allowance for Losses	0	2	8	8	10	65
Net Acquired Property	135	60	169	257	302	430
Land, Buildings, and Equipment	4,161	0	263	3,175	7,058	5,007
Less: Accumulated Depreciation	334	0	133	850	960	1,006
Net Land, Buildings, and Equipment	3,827	0	130	2,325	6,098	4,001
Customers Liability on Acceptances Outstanding	0	0	0	0	0	0
Prepaid Expenses and Other Assets	56	60	179	581	(861)	482
Total Assets	\$185,540	\$ 88,353	\$337,323	\$412,223	\$472,387	\$385,887
Liabilities and Net Worth						
Notes Payable: Other Farm Credit Banks	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,000	\$ 0
Consolidated Systemwide Notes	56,728	22,872	98,112	20,654	73,548	43,789
Commercial Banks and Other	0	1,923	0	11,205	10,463	9,454
Securities Sold Under Agreement to Repurchase	0	0	0	0	0	0
Total Notes Payable	56,728	24,795	98,112	31,859	86,011	53,243
Accounts Payable	4,064	2,058	6,680	7,809	9,624	6,215
Accrued Interest Payable	1,349	953	6,205	7,099	5,431	5,827
Unmatured Consolidated and Systemwide Bonds	69,000	37,690	163,550	243,856	199,870	198,670
Less: Unamortized Discounts and Premiums	(691)	(50)	(1,088)	(65)	(92)	(1,047)
Less: Consolidated Bonds Owned	0	0	10,000	0	0	0
Net Consolidated and Systemwide Bonds Outstanding	69,691	37,740	154,638	243,921	199,962	199,717
Unmatured Farm Credit Investment Bonds Outstanding	0	3,344	522	27,653	67,130	35,485
Matured Farm Credit Investment Bonds Outstanding	0	0	0	0	0	0
Capital Stock and Equities Called for Retirement	8,365	(91)	0	0	0	2,465
Bankers Liability on Acceptances Outstanding	0	0	0	0	0	0
Other Liabilities	32	158	5,014	990	152	63
Total Liabilities	140,229	68,957	271,171	319,331	368,310	303,015
Capital Stock: Class B - All	0	0	0	0	0	0
Class C - District Banks	0	209	95	0	69	519
Class C - Cooperative Associations	32,952	13,340	47,700	65,906	80,643	59,033
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	0	0	0
Class C - Subscribed - District Banks	0	0	0	0	0	0
Participation Certificates	0	545	0	0	1,190	0
Total Capital Stock	32,952	14,094	47,795	65,906	81,922	59,552
Earned Net Worth: Surplus Reserved	4,419	2,176	4,371	5,180	3,628	6,154
Surplus Allocated to Cooperative Associations	7,803	254	9,307	21,084	16,787	14,119
Surplus Allocated to District Banks	0	7	18	11	28	152
Undistributed Earnings	137	2,467	4,658	711	1,732	2,896
Total Earned Net Worth	12,359	5,304	18,354	26,986	22,175	23,321
Total Net Worth	45,311	19,398	66,149	92,892	104,077	82,873
Total Liabilities and Net Worth	\$185,540	\$ 88,355	\$337,320	\$412,223	\$472,387	\$385,888

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, 1986	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane	Central Bank
Assets							
Loans to Cooperatives: Seasonal Loans	\$ 173,728	\$ 45,050	\$145,909	\$ 33,599	\$568,029	\$156,521	\$1,320,800
Term	1,218,142	214,571	381,741	115,175	197,879	168,000	2,243,209
Commodity	8,375	0	47,800	18,000	13,333	0	14,181
Acceptances	0	26,500	5,125	5,000	167	0	116,033
Subtotal	1,400,245	286,121	580,575	171,774	779,408	324,521	3,694,223
Less: Participations	601,233	31,747	217,064	36,414	293,395	103,866	103,258
Less: Acceptances Discounted to Other Farm Credit Banks	0	0	0	0	0	0	0
Less: Unapplied Loan Payments	159	230	362	0	157	0	0
Less: Unearned Income (Acceptances)	0	20	59	17	1	0	464
Total Loans to Cooperative Associations	798,853	254,124	363,090	135,343	485,855	220,655	3,590,501
Nonaccrual Loans	2,515	10,339	4,648	765	15,864	5,701	929
Sales Contracts, Notes, Etc.	53,281	157	446	275	33,958	1,276	24,862
Accrued Interest Receivable on Loans	12,822	6,739	9,739	2,698	6,304	5,341	77,337
Gross Loan Items	867,471	271,359	377,923	139,081	541,981	232,973	3,693,629
Less: Allowance for Losses	20,367	9,333	7,372	2,486	18,763	5,307	47,349
Net Loan Items	847,104	262,026	370,551	136,595	523,218	227,666	3,646,280
Cash	3,387	633	875	1,126	1,459	531	3,322
Investments: U.S. Government Securities (Par)	0	1,000	10,000	0	450	13,800	40,000
Securities Government Supervised Institutions (Par)	0	0	0	0	0	7,000	0
Other Securities and Federal Funds	225,780	107,859	85,587	72,922	12,895	46,787	1,371,750
Investments in DBC Bankers Acceptances (Net)	0	0	0	0	0	0	0
Unamortized Premium or Discount (Net)	(1,298)	(5)	201	(55)	0	(155)	(3,929)
Total Investment in Securities	224,482	108,854	95,788	72,867	13,345	67,432	1,407,821
Investments in Central Bank for Cooperatives	70,222	6,417	18,253	4,610	31,415	11,886	0
Investments in Other Banks for Cooperatives	2,641	0	7,456	219	0	0	0
Investments in Farm Credit Institutions	4,150	842	432	381	178	571	75
Notes Receivable Farm Credit Banks and Other	6,590	5,000	1,984	4,689	0	50	45,600
Accounts Receivable	5,247	498	3,364	570	6,596	1,811	1,207
Accrued Interest Receivable - Other Farm Credit Banks	38	32	105	51	14	14	99
Accrued Interest Receivable - Investments	209	413	440	148	82	345	12,933
Acquired Property	1,889	629	1,058	-3,707	342	880	8,407
Less: Accumulated Depreciation	0	0	0	243	0	115	0
Less: Allowance for Losses	279	244	400	1,297	54	127	0
Net Acquired Property	1,610	385	658	2,167	288	638	8,407
Land, Buildings, and Equipment	7,621	1,630	0	10,226	4,771	8,466	2,618
Less: Accumulated Depreciation	2,465	1,164	0	586	1,218	1,234	1,514
Net Land, Buildings, and Equipment	5,156	466	0	9,640	3,553	7,232	1,104
Customers Liability on Acceptances Outstanding	0	0	0	0	0	0	0
Prepaid Expenses and Other Assets	1,087	1,873	610	1,026	449	775	6,157
Total Assets	\$1,171,923	\$387,439	\$500,516	\$234,089	\$580,597	\$318,951	\$5,133,005
Liabilities and Net Worth							
Notes Payable: Other Farm Credit Banks	\$ 174	\$ 0	\$ 0	\$ 0	\$ 45,556	\$ 0	\$ 77,232
Consolidated Systemwide Notes	666,408	2,789	119,184	59,670	252,152	62,645	3,098,731
Commercial Banks and Other	29,020	11,363	8,929	4,552	12,956	8,959	8,948
Securities Sold Under Agreement to Repurchase	0	0	0	0	0	0	0
Total Notes Payable	395,602	14,152	128,113	64,222	310,664	71,604	3,184,911
Accounts Payable	18,456	5,755	7,867	2,572	8,697	71,604	11,016
Accrued Interest Payable	14,086	7,974	5,561	1,084	4,833	4,747	40,537
Unmatured Consolidated and Systemwide Bonds	487,955	269,500	167,218	100,285	150,000	174,000	1,544,525
Less: Unamortized Discounts and Premiums	335	(171)	38	187	(9)	(353)	(11,361)
Less: Consolidated Bonds Owned	0	25,000	0	0	0	0	0
Net Consolidated and Systemwide Bonds Outstanding	487,620	244,671	166,882	100,098	150,009	174,353	1,555,886
Unmatured Farm Credit Investment Bonds Outstanding	20,119	29,700	52,623	24,564	0	9,350	0
Matured Farm Credit Investment Bonds Outstanding	0	0	0	0	0	0	0
Capital Stock and Equities Called for Retirement	0	0	0	5	20,394	1,479	0
Bankers Liability on Acceptances Outstanding	0	0	0	0	0	0	0
Other Liabilities	4,239	273	380	164	411	937	1,156
Total Liabilities	940,125	302,525	361,426	192,709	495,008	266,793	4,793,506
Capital Stock: Class B - All	0	0	0	0	687	0	0
Class C - District Banks	662	6,516	138	342	0	475	258,756
Class C - Cooperative Associations	169,696	63,212	103,832	24,225	66,075	40,185	0
Class D - All	613	0	0	0	0	0	0
Other - Cooperative Associations	0	0	0	0	0	0	0
Class C - Subscribed - Cooperative Associations	0	0	0	0	0	0	0
Class C - Subscribed - District Banks	0	0	0	0	0	0	0
Participation Certificates	0	1,426	0	0	0	46	0
Total Capital Stock	170,961	69,728	105,396	24,567	66,762	40,706	258,756
Earned Net Worth: Surplus Reserved	6,638	2,423	6,336	5,038	3,568	4,262	29,676
Surplus Allocated to Cooperative Associations	46,736	10,991	23,153	3,715	13,901	7,092	0
Surplus Allocated to District Banks	231	586	30	58	0	102	41,149
Surplus Unallocated	7,231	1,184	4,176	8,002	1,359	0	9,917
Undistributed Earnings	0	0	0	0	0	0	0
Total Earned Net Worth	60,836	15,184	33,695	16,813	18,828	11,456	80,742
Total Net Worth	231,797	84,912	139,091	41,380	85,590	52,162	339,498
Total Liabilities and Net Worth	\$1,171,922	\$387,437	\$500,517	\$234,089	\$580,598	\$318,955	\$5,133,004

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	1986	1985	Percent Change
Income			
Loan Interest Income: Cooperative Associations	\$719,684	\$871,532	(17.42)
Sales Contracts	7,038	9,022	(21.99)
Notes Receivable Other Farm Credit Banks	976	1,071	(8.87)
Other Interest Income	4,015	3,771	(6.47)
Total Interest Income from Loans	731,713	885,396	(17.35)
Income from Investments (Net)	133,140	107,572	23.76
Compensation Income - Participations Sold	0	0	0.00
Appraisal and Loan Service Fees	4,436	43	*** **'
Financially Related Services	56	77	(27.27)
Customers Draft Accepted Fees	4	0	0.00
Letters of Credit Issued Fees	2,565	3,758	(31.74)
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	871,914	996,846	(12.53)
Expenses			
Notes and Bonds Expense: Cost of Bonds	410,483	521,576	(21.29)
Interest on Notes Payable	314,602	303,899	3.52
Total Cost of Borrowed Funds	725,085	825,475	(12.16)
Compensation Expense - Participations Purchased	0	0	0.00
Operating Expenses	58,858	64,544	(8.80)
Total Expenses	783,943	890,019	(11.91)
Net Gain (Loss) from Operations	87,971	106,827	(17.65)
Other Additions/Deductions:			
Profit (Loss) - Sale of Investment	723	(243)	(397.53)
Net Profit (Loss) - Acquired Property	537	(18)	(3083.33)
Provision for Losses - Acquired Property	(1,959)	(321)	510.28
Income (Expense) - Other	220	(111)	(298.19)
Income (Expense) - Loss Sharing	171	0	0.00
Income (Expense) - Capital Corp. Assessment	87	0	0.00
Other Gains (Losses)	(77,415)	(15,812)	389.59
Other Income (Expense)	4,515	2,797	61.42
Total Other Additions and Deductions	(73,121)	13,708	433.41
Net Gain (Loss) before Provision for Losses	14,850	93,119	(84.05)
Provision for Losses	(13,546)	(24,539)	(44.79)
Net Income before Income Taxes	1,304	68,580	(98.09)
Less: Federal and Other Income Taxes	715	2,251	(68.23)
Net Income (Loss)	\$ 589	\$ 66,329	(99.11)

(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, 1986	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Income						
Loan Interest Income: Cooperative Associations	\$12,113	\$4,973	\$24,462	\$41,312	\$26,427	\$31,276
Sales Contracts	4	220	1,455	0	0	0
Notes Receivable Other Farm Credit Banks	170	350	8	118	901	1
Other Interest Income	1	4	0	0	310	0
Total Interest Income from Loans	12,288	5,547	25,925	41,430	27,638	31,277
Income from Investments (Net)	1,336	745	2,891	4,452	3,401	5,009
Compensation Income - Participations Sold	0	0	1,330	0	43	0
Appraisal and Loan Service Fees	921	0	0	2,404	0	34
Financially Related Services	0	4	0	0	0	34
Customers Draft Accepted Fees	0	0	0	0	0	0
Letters of Credit Issued Fees	27	0	130	53	37	0
Income from Distribution of Earnings of CBC	2,074	1,283	5,197	3,650	6,742	1,074
Income from Distribution of Earnings of Other District Banks	22	0	0	0	0	0
Gross Income	16,668	7,579	35,473	51,989	37,861	37,428
Expenses						
Notes and Bonds Expense: Cost of Bonds	8,521	4,270	17,320	33,596	21,259	23,149
Interest on Notes Payable	2,772	856	6,949	5,559	3,882	5,176
Total Cost of Borrowed Funds	11,293	5,126	24,269	39,155	25,141	28,325
Compensation Expense - Participations Purchased	0	0	0	0	0	0
Operating Expenses	2,184	1,241	2,844	4,463	4,371	3,411
Total Expenses	13,477	6,367	27,113	43,618	29,512	31,736
Net Gain (Loss) from Operations	3,191	1,212	8,360	8,371	8,349	5,692
Other Additions/Deductions:						
Profit (Loss) - Sale of Investment	0	0	0	0	0	0
Net Profit (Loss) - Acquired Property	(3)	(1)	(4)	(4)	1	(4)
Provision for Losses - Acquired Property	0	(1)	0	0	5	(35)
Income (Expense) - Other	0	0	0	0	(46)	1
Income (Expense) - Loss Sharing	0	0	0	(57)	0	0
Income (Expense) - Capital Corp. Assessment	0	0	0	0	0	0
Other Gains (Losses)	(3,856)	(1,872)	(5,819)	(7,443)	(8,818)	(5,530)
Other Income (Expense)	163	28	451	277	158	181
Total Other Additions and Deductions	(3,696)	(1,846)	(5,372)	(7,227)	(8,700)	(5,387)
Net Gain (Loss) before Provision for Losses	(505)	(634)	2,988	1,144	(351)	305
Provision for Losses	0	190	509	(600)	(454)	0
Net Income before Income Taxes	(505)	(444)	3,497	544	(805)	305
Less: Federal and Other Income Taxes	0	(124)	706	2	(347)	52
Net Income (Loss)	\$ (505)	\$ (320)	\$ 2,791	\$ 542	\$ (458)	\$ 253

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, 1986	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane	Central Bank
Income							
Loan Interest Income: Cooperative Associations	\$ 94,923	\$38,473	\$36,730	\$12,951	\$39,569	\$26,324	\$330,153
Sales Contracts	84	20	0	37	2,766	116	2,337
Notes Receivable Other Farm Credit Banks	1,752	558	891	165	225	249	1,213
Other Interest Income	3,689	0	220	62	3	0	101
Total Interest Income from Loans	100,448	39,051	37,841	13,215	42,563	26,689	333,804
Income from Investments (Net)	8,324	5,011	4,185	4,459	769	3,877	88,680
Compensation Income - Participations Sold	0	0	0	0	0	0	0
Appraisal and Loan Service Fees	0	0	0	0	8	68	1,002
Financially Related Services	0	0	10	0	0	6	0
Customers Draft Accepted Fees	0	0	0	0	0	0	4
Letters of Credit Issued Fees	154	41	179	130	2	5	1,807
Income from Distribution of Earnings of CBC	7,623	585	2,407	648	3,713	1,178	0
Income from Distribution of Earnings of Other District Banks	0	0	127	5	0	0	0
Gross Income	116,549	44,688	44,749	18,457	47,055	31,823	425,600
Expenses							
Notes and Bonds Expense: Cost of Bonds	62,795	32,184	19,465	9,417	15,873	19,035	143,297
Interest on Notes Payable	23,403	3,848	9,354	3,890	19,098	7,300	228,510
Total Cost of Borrowed Funds	86,198	36,032	28,819	13,307	34,971	26,335	372,110
Compensation Expense - Participations Purchased	10	0	0	0	0	0	85
Operating Expenses	7,157	4,731	5,202	2,745	3,767	3,745	12,996
Total Expenses	93,365	40,763	34,021	16,052	38,738	30,080	385,191
Net Gain (Loss) from Operations	23,184	3,925	10,728	2,405	8,317	1,743	40,106
Other Additions/Deductions:							
Profit (Loss) - Sale of Investment	0	588	0	0	0	0	135
Net Profit (Loss) - Acquired Property	49	158	10	305	(6)	40	(5)
Provision For Losses - Acquired Property	(267)	(450)	(396)	(751)	(38)	(27)	0
Income (Expense) - Other	0	13	0	70	0	(114)	296
Income (Expense) - Loss Sharing	228	0	0	0	0	0	0
Income (Expense) - Capital Corp. Assessment	2	0	0	0	4	0	81
Other Gains (Losses)	(17,119)	(5,494)	(5,976)	(2,552)	(8,968)	(4,173)	203
Other Income (Expense)	368	625	322	121	216	63	395
Total Other Additions and Deductions	(16,739)	(4,560)	(6,040)	(2,807)	(8,792)	(4,211)	1,105
Net Gain (Loss) before Provision for Losses	6,445	(635)	4,688	(402)	(475)	(2,468)	41,211
Provision for Losses	(929)	(2,847)	(3,745)	(202)	(2,615)	(237)	(2,613)
Net Income before Income Taxes	5,516	(3,482)	943	(604)	(3,090)	(2,705)	38,598
Less: Federal and Other Income Taxes	161	(874)	130	2	1	545	460
Net Income (Loss)	\$ 5,355	\$ (2,608)	\$ 813	\$ (606)	\$ (3,091)	\$ (3,250)	\$ 38,138

Totals may not add due to rounding.

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

(Dollars in Millions)

For the Year Ended December 31, 1986	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Nonperforming Loans	\$ 0.6	\$ 7.8	\$40.7	\$ 5.5	\$ 3.7	\$27.5
Formally Restructured	0.0	0.1	0.0	0.0	0.0	0.0
Other Restructured and Reduced Rate	0.0	0.0	0.0	0.0	0.0	12.4
Other High Risk	0.0	6.5	39.1	4.4	1.9	14.2
Nonaccrual	\$ 0.6	\$ 1.2	1.6	1.1	1.8	\$ 0.9
Net Loan Chargeoffs	*	*	\$ (1.4)	\$ 0.1	\$ 0.1	*
Selected Ratios						
Return on Assets	(0.28%)	(0.37%)	0.81%	0.11%	(0.11%)	0.06%
Return on Equity	(1.00%)	(1.61%)	4.29%	0.56%	(0.43%)	0.29%
Net Interest Margin	1.50%	1.49%	1.45%	1.43%	1.62%	2.01%
As of December 31, 1986						
Capital as a % of Assets	24.42%	21.95%	19.61%	22.53%	21.48%	21.48%
Debt-to-Capital (:1)	3.09	3.55	4.10	3.44	3.54	3.66

Components may not add to totals due to rounding.

* Less than \$50,000 net chargeoff.

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

(Dollars in Millions)

For the Year Ended December 31, 1986	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane	Central Bank
Nonperforming Loans	\$28.9	\$24.1	\$15.1	\$ 7.5	\$68.9	\$30.2	\$45.6
Formally Restructured	2.7	5.1	0.0	4.3	53.0	0.0	5.8
Other Restructured and Reduced Rate	3.4	0.0	0.0	0.0	0.0	0.0	0.0
Other High Risk	20.3	8.7	10.5	2.4	0.0	24.5	38.9
Nonaccrual	\$ 2.5	10.3	4.6	\$ 0.8	1.59	5.7	0.9
Net Loan Chargeoffs	*	\$ 1.8	\$(0.7)	*	\$(0.1)	\$ 0.1	\$(3.8)
Selected Ratios							
Return on Assets	0.42%	(0.57%)	0.16%	(0.26%)	(0.56%)	(0.92%)	0.72
Return on Equity	2.34%	(3.50%)	0.55%	(1.42%)	(3.11%)	(6.08%)	11.62%
Net Interest Margin	1.92%	1.86%	2.86%	2.05%	1.67%	1.33%	0.96%
As of December 31, 1986							
Capital as a % of Assets	19.78%	21.92%	27.79%	17.68%	14.74%	16.35%	6.61%
Debt-to-Capital (:1)	4.06	3.56	2.60	4.66	5.78	5.11	14.12

Components may not add to totals due to rounding.

* Less than \$50,000 net chargeoff.

Table 47**Selected Borrower Characteristics
Federal Land Banks Loans Booked During 1986⁽¹⁾**

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 (2)	Percent by Type of Organization			
									Proprietorships	Partnerships	Corporations	Other
Negative	9	\$138.1	42	33.3%	1.078	\$124.2	44.4%	\$ (1.8)	100.0%	0.0%	0.0%	0.0%
\$0-\$24,999	140	43.3	34	57.9%	0.668	12.1	65.7%	8.5	97.1%	0.7%	1.4%	0.7%
\$25,000-\$74,999	1,282	41.0	39	37.2%	0.504	14.3	68.7%	10.9	99.1%	0.2%	0.0%	0.7%
\$75,000-\$99,999	657	49.6	42	22.2%	0.441	332.3	69.7%	12.3	98.5%	0.3%	0.6%	0.6%
\$100,000-\$149,999	1,106	57.8	45	18.2%	0.399	215.9	70.3%	13.5	97.2%	0.5%	0.7%	1.5%
\$150,000-\$249,999	1,522	67.4	47	14.9%	0.344	186.4	58.3%	14.8	97.0%	1.1%	0.7%	1.2%
\$250,000-\$374,999	1,147	83.0	49	9.2%	0.312	262.8	44.5%	17.8	94.8%	1.5%	1.0%	2.7%
\$375,000-\$499,999	697	102.0	50	7.7%	0.301	404.4	42.2%	23.2	93.0%	2.3%	2.3%	2.4%
\$500,000-\$999,999	1,311	131.7	52	8.5%	0.271	480.0	30.3%	28.2	89.2%	3.2%	4.8%	2.8%
\$1,000,000 and over	1,237	\$448.6	53	5.7%	0.271	\$882.4	22.1%	\$125.2	73.1%	7.5%	12.5%	6.9%

(1) Figures do not include the Wichita FLB which did not report.

(2) Income remainder is projected annual net income from all sources less outlays for debt service, taxes and living expenses.

*Amounts in thousands of dollars.

Totals may not add due to rounding.

Table 48**Selected Borrower Characteristics — Part 1
Production Credit Associations Loans Outstanding at Yearend 1986**

Borrower Net Worth	Number of Loans	Loan Balance	Average Age	Percent Under 35	Years Farming Experience		% Average Value Ag Assets	% Average Value Real Estate	Average Debt-to-Asset Ratio
					% Under 5 Years	% Under 10 Years			
Negative	2,513	\$150.4	44	26.8%	9.4%	27.4%	\$ 450.7	\$ 347.1	8.147
\$0-\$24,999	19,560	49.8	41	38.6%	22.3%	42.9%	295.9	158.7	0.671
\$25,000-\$74,999	17,285	24.8	40	39.4%	15.7%	38.2%	88.5	62.6	0.532
\$75,000-\$99,999	8,521	26.9	44	27.1%	11.8%	31.4%	130.5	92.0	0.453
\$100,000-\$149,999	15,305	34.6	46	20.5%	9.3%	24.0%	243.9	197.0	0.414
\$150,000-\$249,999	23,426	45.6	50	12.3%	6.2%	17.2%	281.3	172.5	0.369
\$250,000-\$374,999	17,840	56.3	51	8.4%	4.4%	13.2%	390.5	240.7	0.332
\$375,000-\$499,999	10,569	69.5	51	7.3%	3.7%	11.7%	557.0	362.0	0.318
\$500,000-\$999,999	15,470	97.7	53	6.0%	3.3%	10.8%	936.8	654.0	0.297
\$1,000,000 and over	9,201	\$236.3	54	5.0%	4.9%	14.0%	\$2,773.8	\$1,972.5	0.218

*Amounts in thousands of dollars.

Table 49**Selected Borrower Characteristics — Part 2
Production Credit Associations Loans Outstanding at Yearend 1986**

Borrower Net Worth	% Under \$40,000 Ag Sales	Percent by Type of Organization					
		Proprietorships	Partnerships	Family Corporations	Close Nonfamily Corporations	Public Corporations	Other
Negative	30.7%	62.0%	19.7%	11.2%	3.4%	0.1%	3.5%
\$0-\$24,999	61.4%	71.3%	7.9%	3.3%	0.9%	0.2%	16.2%
\$25,000-\$74,999	52.6%	88.4%	7.8%	1.6%	0.2%	0.1%	2.0%
\$75,000-\$99,999	50.9%	89.1%	7.4%	1.7%	0.1%	0.1%	1.7%
\$100,000-\$149,999	45.9%	87.9%	7.9%	1.8%	0.2%	0.1%	2.1%
\$150,000-\$249,999	35.2%	86.4%	9.6%	2.2%	0.2%	0.1%	1.5%
\$250,000-\$374,999	24.4%	83.5%	10.6%	4.1%	0.3%	0.1%	1.4%
\$375,000-\$499,999	17.0%	81.8%	11.4%	4.9%	0.3%	0.1%	1.6%
\$500,000-\$999,999	12.4%	76.3%	13.1%	8.5%	0.5%	0.1%	1.6%
\$1,000,000 and over	10.4%	64.7%	16.5%	15.4%	1.3%	0.5%	1.6%

Totals may not add due to rounding.

