

Updated January 22, 2021

Farm Credit Administration and Its Board Members

Overview

The Farm Credit Administration (FCA) is an independent agency that is the federal regulator responsible for examining and ensuring the safety and soundness of all Farm Credit System (FCS) institutions and the Federal Agricultural Mortgage Corporation (Farmer Mac).

FCA is directed by a three-member board of directors nominated by the President and confirmed by the Senate (12 U.S.C. § 2242). Congressional oversight is provided by the House and Senate Agriculture Committees, which have primary jurisdiction for the FCS statutes.

The most recent congressional hearings on the FCS were in the Senate on May 19, 2016, and in the House on March 29, 2017 (with FCA witnesses). The Senate Agriculture Committee most recently held a board member nomination hearing in November 2017.

Farm Credit Administration

The FCA sets the policies, regulations, charters, and examinations of the FCS and Farmer Mac. This includes compliance with statutes to serve eligible borrowers. Violations may result in supervisory and enforcement actions. FCA also protects the rights of borrowers and reports to Congress on the financial condition of the FCS. FCA has about 300 full- and part-time employees. It is located in McLean, VA, and conducts examinations from field offices in Colorado, Texas, Minnesota, and California.

The current structure of the FCA and oversight of the FCS was created by the Farm Credit Amendments Act of 1985 (P.L. 99-205). Its statutory authority is in Title 12, Section 2241, of the *United States Code*, with regulations in Title 12, Section 600, of the *Code of Federal Regulations*.

FCA's operating expenses are paid through assessments on FCS banks and associations. Even though FCA does not receive an appropriation from Congress, the annual Agriculture appropriations act places a limit on FCA's administrative expenses (\$80 million in FY2021).

Farm Credit System

The FCS is a privately owned, federally chartered, nationwide financial cooperative that lends to full- and part-time farmers, farming-related businesses, rural homeowners, farmer-owned cooperatives, and certain rural utilities. Borrowers must meet creditworthiness requirements. FCS is not a lender of last resort.

Established in 1916 as a government-sponsored enterprise (GSE), FCS has a statutory mandate—and limitation—to serve agriculture. FCS is the only direct lender among the GSEs. It receives tax benefits, but FCS operates without any direct federal appropriations.

FCS associations are owned by their borrowers, who are required to purchase stock as part of their loans. FCS banks and associations do not take deposits like commercial banks. Instead, FCS uses capital markets to sell bonds that become the joint and several liabilities of all FCS banks, meaning they collectively stand behind the obligations to repay those bonds. FCS is composed of four regional banks that provide funds and support services to 68 smaller credit associations that in turn provide loans to eligible borrowers.

As of September 30, 2020, FCS had \$302 billion in total agriculture and related loans outstanding, up 9% from the same period a year earlier. According to the U.S. Department of Agriculture, the FCS held nearly 43% of the total \$419 billion of U.S. farm debt at the end of 2019.

Statutory authority for FCS is in the Farm Credit Act of 1971 (12 U.S.C. § 2001 et seq.), as amended notably by the Agricultural Credit Act of 1987. For more background, see CRS Report RS21278, *Farm Credit System*.

Board Members

As a regulator, FCA is directed by a three-member board of directors nominated by the President and confirmed by the Senate (12 U.S.C. § 2242). Terms for board members are six years in length, fixed when they begin and staggered so that one term begins every two years regardless of whether a new member has been appointed and confirmed. Board members may not be reappointed after serving a full term or more than three years of an unexpired term. A board member may continue to serve beyond the end of his/her term until a replacement has been confirmed. This helps maintain an effective board if successors are delayed. Not more than two members of the board may be from the same political party.

The President designates one member as chairman—not subject to further Senate confirmation—who has historically served in that role until the end of their term. The chairman is also the chief executive officer of the FCA (12 U.S.C. § 2244).

Current Board Members

The current FCA board has two members and one vacancy (**Table 1**). Glen Smith was confirmed in 2017 for a term that expires in May 2022; he was designated as chairman in July 2019. Jeffrey Hall was confirmed in March 2015 for a term that expired on October 13, 2018; he may continue to serve until a successor is confirmed. The vacancy was created when former chairman Dallas Tonsager died in office in May 2019.

Both Smith and Hall are Republicans. At least one Democratic nominee would be needed to fill one of the two

expired terms. The Biden Administration could name possibly two Democrats.

Table 1. Farm Credit Administration Board Members

Name	Description	Term ends
Glen R. Smith	Confirmed on December 5, 2017. Designated as Chairman and CEO on July 17, 2019.	5/21/2022
Jeffery S. Hall	Confirmed on March 9, 2015. Serving until a successor is confirmed. The successor's term will end 10/13/2024.	10/13/2018
—	Vacant after the death of Dallas P. Tonsager on May 21, 2019.	5/21/2026

Source: CRS, using data at FCA.gov, "About FCA."

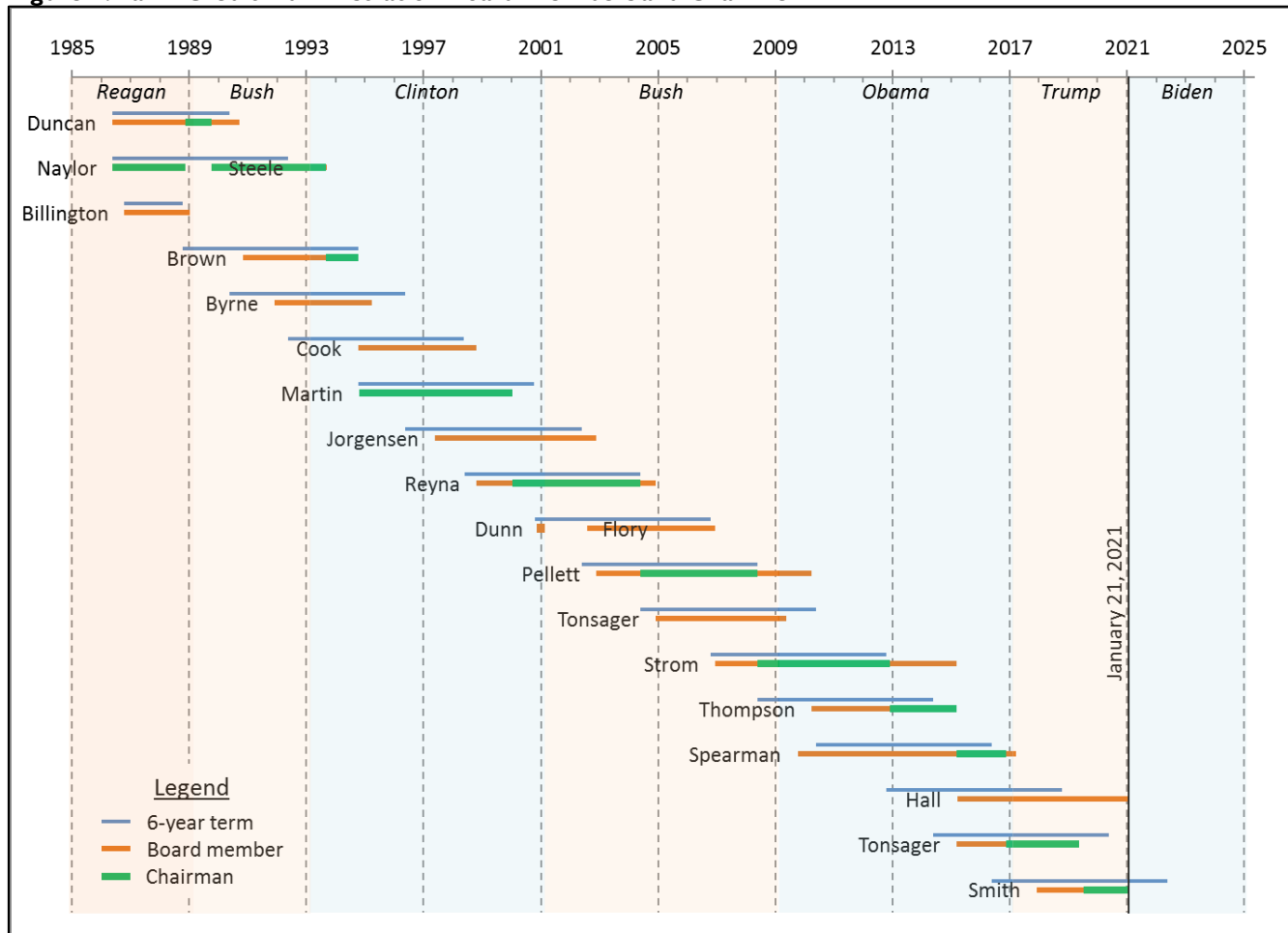
History of Board Members

Figure 1 is a timeline showing the service of the 20 FCA board members and 12 chairmen of the FCA over 34 years.

The timeline illustrates that the terms of board members are for six years with a fixed and staggered beginning so that one term begins every two years whether or not an individual fills the vacancy (blue line). A board member's service date depends on presidential appointment and Senate confirmation and may extend beyond the end of a term until a successor is in place (orange line). Service as chairman depends on presidential appointment and is not subject to further Senate confirmation (green line on top of an orange line).

FCA has generally maintained a three-member board since 2002—except for the present since May 2019 (upon the death of Tonsager), about eight months in 2017 (after the death of Spearman), and five months in 2009 (when Tonsager became a USDA undersecretary). This has been possible since board members have continued to serve until their successors are confirmed. The present vacancy is the longest resulting in a two-member board, with the exception of a 26-month vacancy in the mid-1990s. For about 11 months in 1989, the FCA had only one board member.

Figure 1. Farm Credit Administration Board Members and Chairmen



Source: CRS, using data at FCA.gov, "About FCA."

Notes: Terms (in blue) for board members are six years with a fixed and staggered beginning so that one term begins every two years whether or not an individual fills the vacancy. Service as a board member (in orange) depends on appointment and confirmation and may extend beyond the end of a term until a successor is in place. Appointments as chairman (in green) are named by the President.

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