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Farm Credit Administration and Its Board Members

Overview

Congress oversees the Farm Credit Administration (FCA), which is the federal financial regulator responsible for ensuring the safety and soundness of 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. The most recent authorizing committee hearings on FCS were in the Senate on May 19, 2016, and in the House on November 19, 2019 (with FCA witnesses). The Senate Agriculture Committee most recently held a nomination hearing for a board member in September 2022. This In Focus summarizes FCA and FCS and provides context for current and past terms of FCA board members.

Farm Credit Administration

FCA sets the policies, regulations, charters, and examinations of FCS and Farmer Mac entities. This includes compliance with laws concerning eligibility and regulations protecting the rights of borrowers in default. FCA is an independent agency that has about 300 employees. It is located in McLean, VA, and conducts examinations from several field offices. FCA reports to Congress on the financial condition of FCS.

FCA's operating expenses are paid through assessments on FCS banks and associations. Even though FCA is not funded by congressional appropriation, the annual Agriculture appropriations act places a limit on FCA's administrative expenses (\$88.5 million in FY2023).

Statutory authority for FCA is in the Farm Credit Act of 1971 (12 U.S.C. §§2241 et seq.), as amended, notably by the Agricultural Credit Act of 1987. Regulations are at 12 C.F.R. §§600 et seq.

Farm Credit System

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 61 smaller credit associations that in turn provide loans to eligible borrowers.

As of December 31, 2022, FCS had \$373 billion in total loans outstanding to agriculture, agribusiness, rural utility, and other borrowers. Agriculture loans are the largest portion (\$239 billion) and provided 45% of loans on the sector-wide farm balance sheet at the end of 2021, according to the U.S. Department of Agriculture.

Statutory authority for FCS is in the Farm Credit Act of 1971 (12 U.S.C. §§2001 et seq.), as amended.

Farmer Mac

Farmer Mac is a secondary market for agricultural mortgages. It purchases loans from originating lenders and provides other risk management tools. Farmer Mac was created by Congress in 1987 as a privately funded GSE and is an investor-owned corporation that is financially and corporately separate from FCS.

As of December 31, 2022, Farmer Mac's total business volume (similar to assets) was nearly \$26 billion.

Statutory authority for Farmer Mac is in the Farm Credit Act of 1971 (12 U.S.C. §§2279aa et seq.).

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 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. Qualifications require some background in agricultural economics and financial reporting, finance, law, or financial regulation.

The President designates one member as chairman—not subject to further confirmation—who has historically held

that role until the end of his/her term. The chairman is also the chief executive officer of FCA (12 U.S.C. §2244).

Current Board Members

The current FCA board has three members, two of which are serving in expired terms that are available for new nominees (**Table 1**). Both of the positions with expired terms have Republican incumbents who may continue to serve until their successors are confirmed.

Table 1. Farm Credit Administration Board Members

Name	Term
Jeffery S. Hall	Confirmed in 2015 to a term that expired on 10/13/2018. Serving until a successor is confirmed. Successor's term: 10/13/2024.
Glen R. Smith	Confirmed in 2017 to a term that expired on 5/21/2022. Serving until a successor is confirmed. Successor's term: 5/21/2028.
Vincent G. Logan	Confirmed in 2022 to a term that expires on 5/21/2026. Designated as Chairman and CEO in October 2022.

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

The Biden Administration—in addition to nominating Vincent Logan, receiving Senate confirmation, and naming him as chairman in 2022—could fill the other two board positions, though at least one would require a Republican

nominee. A similar situation occurred in 2015, when the Obama Administration nominated Jeffrey Hall for a Republican position on the board. A nominee for the term expiring in 2024 could be reappointed, since the partial term would be filled for less than three years.

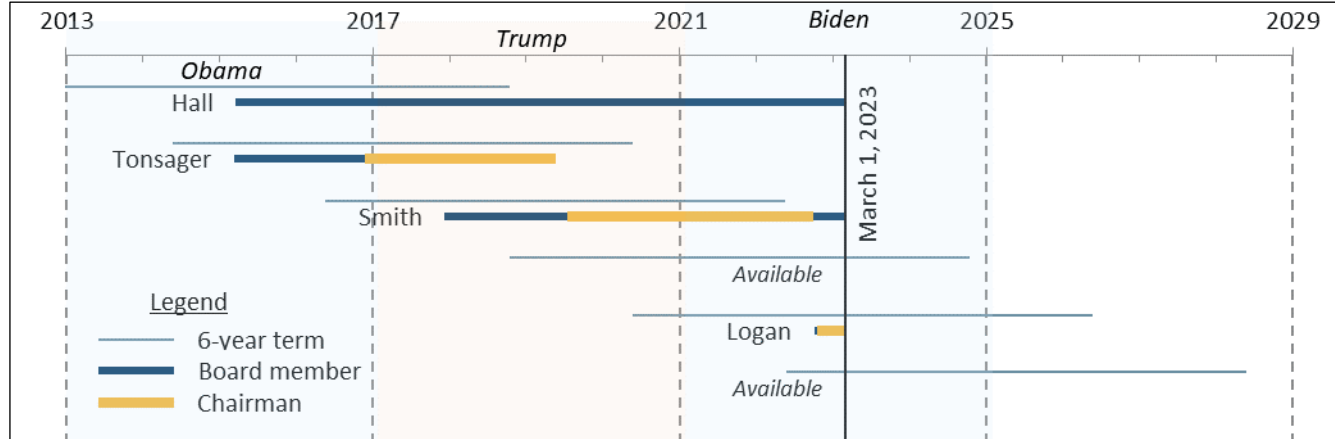
History of Board Members

Figure 1 is a timeline showing the new terms available since 2013 and the service of the three current board members. The timeline shows that terms are six years and staggered (gray lines). A board member's service depends on Senate confirmation and may extend beyond the end of a term (blue lines). Service as chairman depends on presidential appointment (gold lines).

FCA had generally maintained a three-member board from 2002 to May 2019 (upon the death of Dallas Tonsager)—except for about eight months in 2017 (after the death of Kenneth Spearman, not shown) and five months in 2009. The 40-month vacancy after the death of Dallas Tonsager until the confirmation of Vincent Logan was the longest period with a two-member board.

Maintaining a full board has been possible because board members have continued to serve until their successors are confirmed. The four-year continuation of Hall's service after the end of his term in 2018 is the longest in the FCA record.

Figure 1. Farm Credit Administration Board Members and Chairmen, 2015-2023



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

Notes: Terms (in gray) are six years, fixed, and staggered every two years. Service as a board member (in blue) depends on Senate confirmation and may exceed a term until a successor is in place. Appointments as chairman (in gold) are named by the President.

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