



July 8, 2026

To: Chairman, Board of Directors
Chief Executive Officer
Each Farm Credit System Institution

From: Glen R. Smith
Chairman

Subject: Mid-Year 2026 Premium Rate Accrual Review

At its July meeting, the Insurance Corporation's Board of Directors voted to maintain the insurance premium accrual assessment rate on Systemwide adjusted insured debt at 10 basis points for the remainder of the year. We believe that maintaining the insurance premium assessment rate at 10 basis points is prudent and will allow the Insurance Fund to reach the required 2 percent target at year-end based on anticipated growth of insured debt. In addition, the board has decided to continue assessing 10 basis points on nonaccrual loans and other-than-temporarily impaired investments.

The principal on outstanding insured obligations reported by the Federal Farm Credit Banks Funding Corporation through May 31, 2026 was \$483.1 billion, up 0.7 percent from \$479.8 billion at year-end 2025. Using preliminary results, at May 31, 2026, the Farm Credit Insurance Fund (Insurance Fund) was 2.06 percent of adjusted insured debt or \$252 million above the 2 percent secure base amount (SBA) (See Attachment A and B).

Based on our June survey, System banks anticipate aggregate growth in insured debt of 6.1 percent in 2026. This estimate is lower than the 5-year average growth rate of 8.3 percent. We reviewed the banks estimates and the growth during the last several years and believe that targeting Systemwide growth of at least 8.5 percent is appropriate to ensure the Insurance Fund is fully funded at the SBA at year-end 2026.

In setting premiums, the board's objective is to achieve and maintain the statutory secure base amount of 2 percent in the Insurance Fund. The review focuses on the current level of the Insurance Fund and the amount of money and time needed to reach the secure base amount based on expected growth in Systemwide insured obligations. The review also examines the risk that the Insurance Fund will need to be used in the next 12 months, and includes analyzing all relevant risks, including the condition of the System, the health of the agricultural economy, and risks in the financial environment.

In addition to growth, another factor influencing the level of adjusted insured debt is the level of deductions (i.e. government-guaranteed loans and investments). At March 31, 2026, the total deduction for full faith and credit loans and investments was \$65.0 billion. These deductions lowered the SBA by \$1.3 billion.

The Corporation's allowance for insurance fund loss review for the period ending March 31, 2026, concluded that insurance risk remains low and the likelihood of a loss to the Insurance Fund is remote. The insured banks remain well-capitalized, with ample liquidity, adequate asset quality, and sufficient earnings.

If you have any questions concerning this matter, please contact FCSIC's Chief Financial Officer, Andrew Grimaldi, at grimaldia@fcsic.gov or (703) 883-4383.

Attachment A: Preliminary Secure Base Amount Calculation as of May 31, 2026

Attachment B: Preliminary Trend of the Unallocated Insurance Fund as of May 31, 2026

Preliminary Secure Base Amount Calculation
As of May 31, 2026
Dollars in Millions

Debt Outstanding	Finals				Preliminary
	6/30/2025	9/30/2025	12/31/2025	3/31/2026	5/31/2026
Principal	458,871	460,577	479,766	482,465	483,139
Interest	3,057	2,939	2,950	2,882	2,882
Total Principal and Interest	461,928	463,516	482,716	485,347	486,021
Less:					
90% Federal Government-Guaranteed Loans	(8,687)	(8,544)	(8,263)	(8,131)	(8,131)
80% State Government-Guaranteed Loans	(33)	(34)	(35)	(35)	(35)
90% Federal Government-Guaranteed Investments	(52,958)	(56,357)	(56,669)	(56,861)	(56,861)
80% State Government-Guaranteed Investments					
Total Deductions	(61,678)	(64,935)	(64,967)	(65,026)	(65,026)
Adjusted Insured Debt	400,250	398,581	417,750	420,321	420,995
Secure Base Amount 2%	8,005	7,972	8,355	8,406	8,420
Unallocated Insurance Fund Balance	8,228	8,405	8,361	8,545	8,672
Unallocated and Allocated Insurance Fund Balance	8,228	8,405	8,585	8,545	8,672
Amount Over (Under) the SBA	223	433	230	139	252
Unallocated Insurance Fund as a % of Adjusted Insured Debt	2.06%	2.11%	2.00%	2.03%	2.06%
Unallocated and Allocated Insurance Fund as a % of Adjusted Insured Debt	2.06%	2.11%	2.05%	2.03%	2.06%

Assumptions:

Source of Systemwide Debt Outstanding:

 Quarter-end data: FCA call reports which include amortization of premiums and discounts

 Monthly and preliminary quarter-end data: Funding Corporation Systemwide debt obligations report at par value

Accrued Interest Payable:

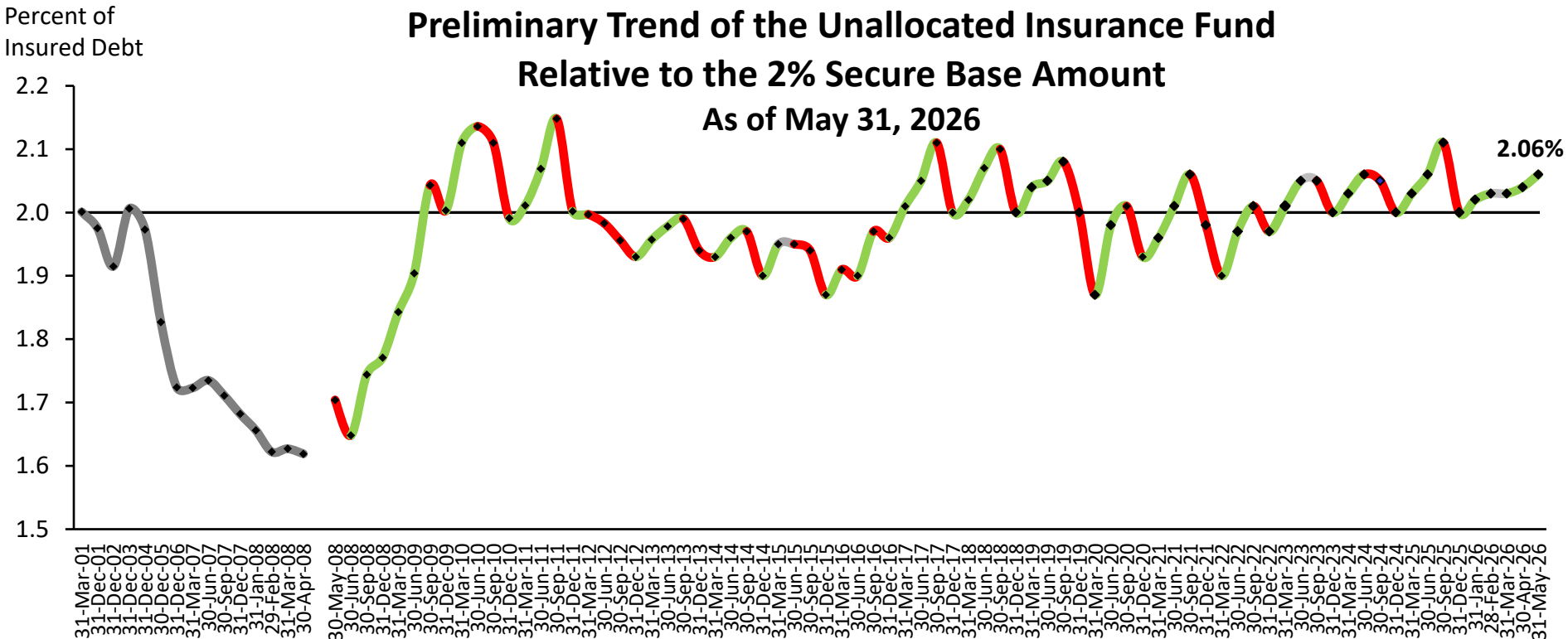
 Quarterly amounts are from call report data.

 Monthly amounts for Accrued Interest Payable are estimates for Systemwide bonds only.

Federal and state government-guaranteed loans, and government-guaranteed investment balances are based on most recent quarter-end final data.

Preliminary Trend of the Unallocated Insurance Fund Relative to the 2% Secure Base Amount

As of May 31, 2026



- (1) A change in the secure base amount (SBA) calculation methodology requested by the Insurance Corporation was included in the Food, Conservation and Energy Act of 2008. The methodology allows the deduction of Federal and state-guaranteed investments from the SBA in a manner similar to that used for Federal and state-guaranteed loans.
- (2) At year-end, based on a statutory formula, excess funds above the SBA may be transferred to Allocated Insurance Reserve Accounts (AIRAs). The AIRAs balance is recorded as part of the Insurance Fund and is available to satisfy insurance obligations until the Insurance Corporation disburses payment to the Farm Credit Banks.