



October 7, 2026

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

From: Jeffery S. Hall
Board Member

Subject: October 2026 Premium Rate Accrual Review

At its October meeting, the Insurance Corporation's Board of Directors voted to maintain the insurance premium accrual rate on Systemwide adjusted insured debt at 10 basis points for the first three quarters of 2026 and to set the fourth-quarter rate to 0 basis points. Reducing the rate for the fourth quarter acknowledges that year-to-date growth of only 0.1 percent makes the original assumption underlying the 10-basis-point rate—supporting estimated annual growth of up to 8.5 percent—no longer likely. Lowering the rate to 0 basis points for the final quarter will allow for growth of up to 7 percent in insured debt while keeping the Insurance Fund above the statutory secure base amount (SBA). In addition, the Board has decided to continue assessing 10 basis points on nonaccrual loans and other-than-temporarily-impaired investments.

As of August 31, 2026, the principal amount of outstanding Systemwide insured obligations was \$480.2 billion, up 0.1 percent (\$442.6 million) from \$479.8 billion at year-end 2025. Based on preliminary results, at August 31, 2026, the Insurance Fund was 2.12 percent of adjusted insured debt or \$496 million above the 2 percent SBA (See Attachment A and B).

In setting premiums, the Board's objective is to achieve and maintain the statutory SBA 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 SBA 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.

When premiums were set in the beginning of the year at 10 basis points, that level would have allowed the System to grow Systemwide insured debt by 8.5 percent (near the recent five-year average) while keeping the Insurance Fund above the SBA. With year-to-date August growth of only 0.1 percent, that full-year level no longer appears achievable, as it is significantly below recent historical trends. Additionally, based on our September survey, System banks anticipate aggregate growth in insured debt of 5.2 percent in 2026. After reviewing these estimates and recent growth patterns, we believe a reduction in the premium rate is warranted. Reducing the premium to zero in the fourth quarter of 2026 will still allow growth of up to 7 percent in insured debt while remaining fully funded at the statutory SBA through year-end 2026.

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 June 30, 2026, the total deduction for full faith and credit loans and investments was \$64.9 billion. These deductions lowered the SBA by \$1.3 billion.

The Corporation's allowance for insurance fund loss review for the period ending June 30, 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 August 31, 2026

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

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

Debt Outstanding	Finals				Preliminary
	9/30/2025	12/31/2025	3/31/2026	6/30/2026	8/31/2026
Principal	460,577	479,766	482,465	480,265	480,209
Interest	2,939	2,950	2,882	2,966	2,966
Total Principal and Interest	463,516	482,716	485,347	483,231	483,175
Less:					
90% Federal Government-Guaranteed Loans	(8,544)	(8,263)	(8,131)	(8,273)	(8,273)
80% State Government-Guaranteed Loans	(34)	(35)	(35)	(37)	(37)
90% Federal Government-Guaranteed Investments	(56,357)	(56,669)	(56,861)	(56,607)	(56,607)
80% State Government-Guaranteed Investments					
Total Deductions	(64,935)	(64,967)	(65,026)	(64,917)	(64,917)
Adjusted Insured Debt	398,581	417,750	420,321	418,314	418,258
Secure Base Amount 2%	7,972	8,355	8,406	8,366	8,365
Unallocated Insurance Fund Balance	8,405	8,361	8,545	8,732	8,861
Unallocated and Allocated Insurance Fund Balance	8,405	8,585	8,545	8,732	8,861
Amount Over (Under) the SBA	433	230	139	366	496
Unallocated Insurance Fund as a % of Adjusted Insured Debt	2.11%	2.00%	2.03%	2.09%	2.12%
Unallocated and Allocated Insurance Fund as a % of Adjusted Insured Debt	2.11%	2.05%	2.03%	2.09%	2.12%

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

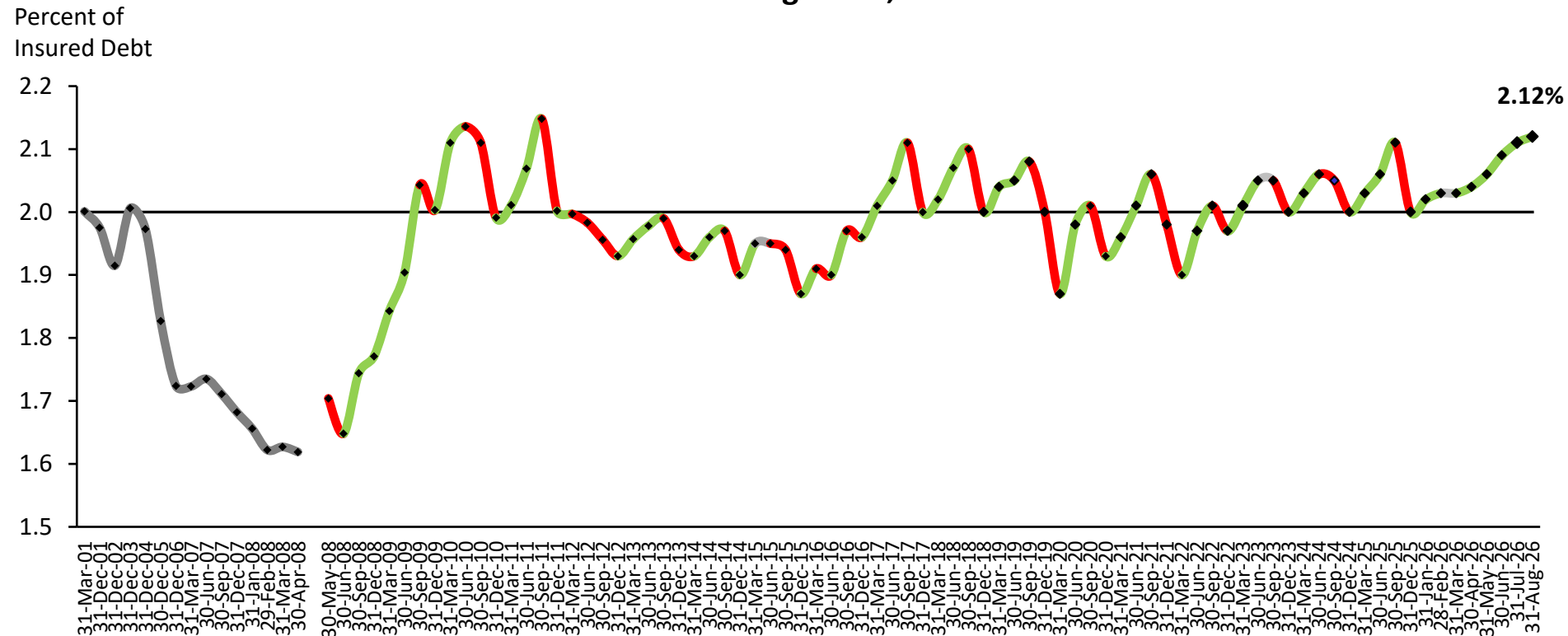
Accrued Interest Payable:

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 August 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.