FCSIC Board of Directors Increases Insurance Premiums for 2015

McLEAN, Va., Jan. 22, 2015 — The Farm Credit System Insurance Corporation Board of Directors voted today to increase the insurance premium assessment rate for Farm Credit System (System) banks on their adjusted insured debt from 12 to 13 basis points for 2015. The Board also announced the continued assessment of the 10-basis-point risk surcharge on nonaccrual loans and other-than-temporarily impaired investments.

“The Board decided to raise the premium rate on adjusted insured debt because preliminary reports indicate that insured debt increased approximately 8.7 percent during 2014, and this increase was higher than anticipated. Also, System banks project that insured debt will continue to increase in 2015,” said Kenneth Spearman, Chairman of the FCSIC Board of Directors.

“At year-end 2014, insured debt was approximately $224.9 billion, up by $17.9 billion from $206.6 billion at year-end 2013,” Mr. Spearman said.

Twice a year, the Corporation Board reviews the insurance premium rate and makes adjustments, if necessary, to maintain the secure base amount, which is 2 percent of the level of adjusted insured debt outstanding at System banks. According to preliminary results, the unallocated Farm Credit Insurance Fund level was 1.89 percent of adjusted insured debt outstanding, or $215 million below the secure base amount.

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The Board’s premium review is based on the following factors:

- an assessment of the current level of the Insurance Fund and the projected growth of insured obligations;
- the likelihood of any potential Insurance Fund losses;
- the financial condition of the System banks and associations;
- the outlook for the agricultural economy; and
- any risks in the financial environment.

“The Corporation will review premium rates again in June 2015,” Mr. Spearman said.

The Corporation is managed by a three-member Board of Directors. In addition to Chairman Spearman, Jill Long Thompson and Leland A. Strom serve as members of the Board.

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The Farm Credit System Insurance Corporation, an independent U.S. government-controlled corporation, ensures the timely payment of principal and interest on insured notes, bonds, and other obligations issued on behalf of Farm Credit System banks.

Note: FCSIC news releases are available on the Internet. Access the FCSIC website at www.fcsic.gov.