

NEWS RELEASE



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FCSIC Board of Directors Decreases Insurance Premiums for 2017

McLEAN, Va., Jan. 26, 2016 — The Farm Credit System Insurance Corporation board of directors voted today to set the insurance premium assessment rate for Farm Credit System (System) banks at 15 basis points of their adjusted insured debt for 2017. Last October, the board notified the System, for prudent planning purposes, that the insurance premium would likely be 20 basis points for 2017.

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 decrease the premium rate on adjusted insured debt because preliminary reports indicate that insured debt increased approximately 6 percent during 2016, and this increase was lower than anticipated. With last year’s premium rate of 16 basis points for the first half of the year and 18 basis points for the second half of the year, we have made good progress toward the statutory target,” said Jeffery S. Hall, Chairman of the FCSIC board of directors.

“At year-end 2016, insured debt was approximately \$257.9 billion, up by \$14.7 billion from \$243.2 billion at year-end 2015,” Mr. Hall said.

Twice a year, the FCSIC board reviews the insurance premium rate and makes adjustments, if necessary, to maintain the secure base amount, which is 2 percent of the

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adjusted insured debt outstanding at System banks. According to preliminary results, the unallocated Farm Credit Insurance Fund level was 1.97 percent of adjusted insured debt outstanding, or \$73 million below the 2 percent secure base amount.

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
- Any risks in the financial environment

"It is anticipated that with a 15-basis-point premium rate, System banks will be able to grow their insured debt up to 8 percent in 2017, and FCSIC will still make progress toward the 2 percent secure base amount. FCSIC will review premium rates again in June 2017," Mr. Hall said.

In addition to setting premiums, the board of directors voted to adopt a policy statement on insurance premiums and a policy statement on the insurance of assets.

FCSIC is managed by a three-member board of directors. In addition to Chairman Hall, Dallas P. Tonsager and Kenneth A. Spearman 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. Visit the FCSIC website at www.fcsic.gov.