MEMORANDUM

Farm Credit System Insurance Corporation

February 8, 2023

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

From: Jeffery S. Hall
Chairman

Subject: Board Approves Premium Accrual Rates for 2023

The Farm Credit System Insurance Corporation (Corporation or FCSIC) Board has approved a reduction in the insurance premium assessment rate on adjusted insured debt to 18 basis points for 2023 from 20 basis points in 2022. The Board also approved continuing the assessment of 10 basis points on nonaccrual loans and other-than-temporarily impaired investments.

The Federal Farm Credit Banks Funding Corporation reports that outstanding insured debt obligations increased by 10.7 percent ($37.9 billion) from $352.7 billion at year-end 2021 to $390.6 billion at year-end 2022. Based on results at December 31, 2022, the unallocated Insurance Fund was 1.97 percent of adjusted insured debt, or $87 million below the 2.0 percent secure base amount (SBA).

The Board's objective is to achieve and maintain the statutory secure base amount of 2 percent in the Insurance Fund. In setting a premium rate, the Board's 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 the condition of the System, the health of the agricultural economy, and risks in the financial environment.

Over the past three years, insured debt has grown an average of about 10 percent annually. Assuming significant continued growth for 2023 of 10.5 percent, a premium rate of 18 basis points on adjusted insured obligations will allow the Insurance Fund to cover the anticipated growth in 2023 and end the year above the secure base amount. Despite finishing 2022 $87 million under the secure base amount and the anticipated 10.5 percent growth in insured debt, FCSIC is able to reduce premiums to 18 basis points because of significant growth in our anticipated investment returns due to FCSIC positioning the Fund to take advantage of the current higher interest rate environment.

1501 Farm Credit Drive
McLean, Virginia 22102
(703) 883-4380

The Board will meet again in July 2023 to review growth in insured obligations and premium rates. If the Insurance Fund is substantially higher or lower than the SBA, or if there is a significant change in projected growth, premium rates may need to be adjusted.

Please contact Andrew Grimaldi, FCSIC's Chief Financial Officer, at 703-883-4383 or grimaldia@fcsic.gov, if you have any questions.

Attachment A: Trend Analysis of Outstanding Insured Obligations
Attachment B: Trend of the Unallocated Insurance Fund Relative to the 2% Secure Base Amount

Attachment A

Final Trend Analysis of Outstanding Insured Obligations

12 Months Ending December 31, 2022

Dollars in Millions

		Month to Month Change			Year to Date Change				Year to Year Change		
Bank	31-Dec 2022	30-Nov 2022	$ Change to 31-Dec	% Change to 31-Dec	31-Dec 2021	$ Change from 31-Dec	% Change from 31-Dec	% Change Annualized	31-Dec 2021	31-Dec 2022	12 Month Change
AgFirst	40,139.9	40,031.0	108.9	0.3%	36,356.8	3,783.1	10.4%	10.4%	36,356.8	40,139.9	10.4%
AgriBank	145,108.4	143,519.0	1,589.4	1.1%	132,667.9	12,440.5	9.4%	9.4%	132,667.9	145,108.4	9.4%
CoBank	171,395.6	168,607.3	2,788.3	1.7%	152,928.8	18,466.8	12.1%	12.1%	152,928.8	171,395.6	12.1%
Texas FCB	33,971.7	33,818.9	152.8	0.5%	30,790.4	3,181.3	10.3%	10.3%	30,790.4	33,971.7	10.3%
Total Principal on Outstanding Insured Obligations *	$390,615.6	$385,976.2	$4,639.4	1.2%	$352,743.9	$37,871.7	10.7%	10.7%	$352,743.9	$390,615.6	10.7%

* Source

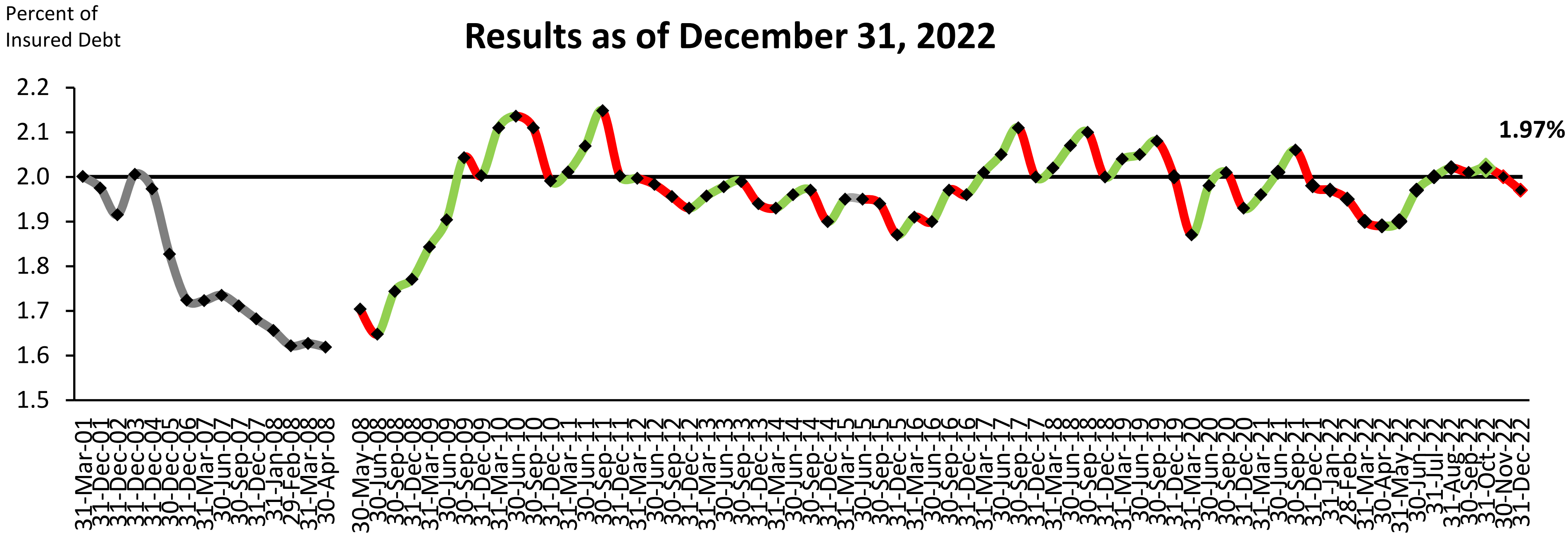
Quarter-end data: FCA call reports which include amortization of premiums and discounts.

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

Attachment B

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

Results as of December 31, 2022



(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.