

## NEWS RELEASE



**For Immediate Release**

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### **FCSIC Board votes to return excess funds to Farm Credit System institutions and retire all Financial Assistance Corporation stock**

McLEAN, Va., March 8, 2018 — The Farm Credit System Insurance Corporation board of directors approved a payment of \$175.8 million in excess insurance funds to Farm Credit System institutions. This amount includes \$13.1 million to retire all remaining stock in the Farm Credit System Financial Assistance Corporation (FAC).

By law, the Farm Credit Insurance Fund, which FCSIC administers, must maintain a “secure base amount” equal to 2 percent of the adjusted outstanding insured obligations of the Farm Credit System. Currently, the secure base amount is approximately \$4.7 billion.

At the end of each year, FCSIC is required to transfer any amount over the secure base amount (after deducting its operating expenses) to allocated insurance reserves accounts — one for each bank that pays premiums into the Farm Credit Insurance Fund and an account for FAC shareholders. However, the FCSIC board has the authority to hold the excess funds if conditions warrant doing so.

Since premiums will accrue in 2018 and growth projections for the System debt outstanding are modest, the board believes that the Insurance Fund will likely stay above the secure base amount in 2018. It has also determined that losses to the Insurance Fund are unlikely at this time.

Therefore, after subtracting \$4.2 million for the corporation’s 2018 operating funds, the FCSIC board has voted to return \$175.8 million in excess funds to the System. Of that amount, \$162.7 million will be paid to the four System banks.

## **Retirement of remaining FAC stock**

The rest of the funds, \$13.1 million, will be used to retire the remaining stock that System institutions hold in the FAC, which was established by the 1987 Agricultural Credit Act to provide financial assistance to the Farm Credit System.

FAC stockholders are those System equity holders who supplied the seed capital needed for the System's survival during the 1980s farm crisis. In 1996, Congress directed FCSIC to allocate 10 percent of any excess insurance funds at the end of each calendar year to FAC stockholders, who held approximately \$55.8 million in outstanding shares.

Through distributions of excess insurance funds over the years, FCSIC has already repaid most of this amount to FAC stockholders. After the retirement of this final \$13.1 million in FAC stock, there will be no more outstanding shares and the FAC stockholders account will be closed.

## **Year-end audit results**

Baker Tilly, FCSIC's independent audit firm, recently completed its year-end review of the corporation's financial statements and has issued an unqualified or clean opinion. The auditor found no material weaknesses or deficiencies. This is the 28<sup>th</sup> consecutive year FCSIC has received an unqualified or unmodified opinion on its financial statements.

Baker Tilly also conducted testing on the effectiveness of FCSIC's internal control over financial reporting and issued an opinion that it was effective.

FCSIC is managed by a three-member board of directors. In addition to Chairman Jeff Hall, Dallas Tonsager and Glen Smith 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 its website at [www.fcsic.gov](http://www.fcsic.gov).