Farm Credit Administration Strategic Plan

Fiscal Years 2004–2009

A Message from the FCA Board

The Farm Credit Administration Board supports the efforts of the Farm Credit System to provide sound and constructive credit to America's farmers and ranchers and their cooperatives. We are proud of our past accomplishments and are confident of our future contributions to the continued success of the System in achieving its mission. We recognize that changes in the agricultural and financial marketplace create both risks and opportunities. As we address these changes, we will work together with all our constituencies in a reasonable and responsible manner.

The following strategic plan will guide our regulatory and oversight efforts during the next 5 years.

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Chairman and Chief Executive Officer

Douglas L. "Doug" Flory, Member

Nancy C. Pellett, Member

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Preamble

Introduction

The Farm Credit Administration (FCA or agency) is an independent Federal agency responsible for regulating and examining the agricultural government-sponsored enterprises (GSEs) serving rural America. These are the Farm Credit System (FCS or System) and the Federal Agricultural Mortgage Corporation[1] (Farmer Mac).

> *The FCS is a network of borrower-owned cooperative financial institutions and affiliated service organizations that serves all 50 States and the Commonwealth of Puerto Rico. The oldest of the financial GSEs, Congress provided for cooperative organization of the FCS in 1916 as a means to achieve affordable and available farm credit.*
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> *The FCS currently provides approximately $91 billion in loans to farmers, ranchers, producers and harvesters of aquatic products, rural homeowners, agricultural cooperatives, rural utility systems, and agribusinesses. Overall, the FCS holds about 30 percent of the market share of agricultural credit.*
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> *Farmer Mac is a stockholder-owned, federally chartered instrumentality of the United States. Through authorities granted in the Agricultural Credit Act of 1987, Farmer Mac was established in 1988 to create a secondary market arrangement for agricultural real estate and rural housing mortgage loans.*
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> *Farmer Mac provides secondary market services through a network of agricultural lenders, originators and sellers, among them commercial banks, FCS banks and associations, life insurance companies, and mortgage companies. As of yearend 2002, the volume of loans, either purchased or guaranteed, totaled over $5.5 billion and represented an estimated 12 percent[2] of Farmer Mac's eligible agricultural mortgage market.*

FCA also has statutory responsibility to examine the National Cooperative Bank, a non-System entity operating as a federally chartered, privately owned banking corporation. Finally, FCA provides contract examination services to the Small Business Administration (SBA) and the United States Department of Agriculture (USDA).

Congressional oversight of the agricultural GSEs and FCA is provided by the U.S. Senate Committee on Agriculture, Nutrition, and Forestry and the U.S. House of Representatives Committee on Agriculture. FCA is funded by the institutions it regulates or examines and receives no Federal tax dollars in the execution of its mission.

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[1] Although technically a chartered institution of the Farm Credit System, due to its unique and separate mission, we are distinguishing Farmer Mac for strategic planning purposes.

[2] Farmer Mac estimates market share based on the assumption that 40 percent of the total agricultural real estate lending market is eligible for Farmer Mac programs. Farmer Mac's source for total market data is the United States Department of Agriculture.

FCA is directed by a full-time, three-person board. Members are appointed by the President with the advice and consent of the U.S. Senate. The President designates one of the members as chairman of the board and chief executive officer (CEO) of the agency. FCA Board members serve ex officio as the Board of Directors for the Farm Credit System Insurance Corporation (FCSIC); however, the FCA Board chairman may not serve as the chairman of the FCSIC Board.

Vision

The Farm Credit Administration is dedicated to maintaining a flexible regulatory environment that meets current and future rural credit needs while ensuring safety and soundness.

Mission

The Farm Credit Administration ensures a safe, sound, and dependable source of credit and related services for agriculture and rural America.

Legislative Mandate[3]

Originally created by an executive order in 1933, the Farm Credit Administration derives its authority and its responsibilities from the Farm Credit Act of 1971, as amended (Act). Pursuant to section 5.8 of the Act, the management of the FCA is vested in the FCA Board. Section 5.9 of the Act provides that:

> *The Board shall manage and administer, and establish policies for, the Farm Credit Administration. It shall approve the rules and regulations for the implementation of this Act not inconsistent with its provisions; shall provide for the examination of the condition of, and general regulation of the performance of the powers, functions, and duties vested in, each institution of the Farm Credit System; shall provide for the performance of all the powers and duties vested in the Farm Credit Administration; and may require such reports as it deems necessary from the institutions of the Farm Credit System.*

Furthermore, section 5.17 of the Act authorizes the FCA to "exercise the powers conferred on it under [the enforcement provisions of the Act] for the purpose of ensuring the safety and soundness of System institutions." Section 5.17 of the Act also requires FCA to make annual reports directly to Congress on the condition of the System and its institutions, the manner and extent to which the purposes and objectives of the Act are being carried out and, from time to time, recommend directly legislative changes.

[3] At the request of Congress, the General Accounting Office (GAO), in the early 1990s, conducted a comprehensive study about the cost and availability of credit in rural America. Congress required GAO to address, among other things, whether the System should be granted new authorities to serve other credit markets in rural America. The GAO report, released in March 1994, concluded that the System did not need new statutory authorities in the near term, but ongoing structural changes in agriculture and rural America could justify such changes in the long-term. GAO noted that over time, as agriculture and rural America continued to change, the System's charter might need to be updated to ensure that the System is not hampered by outdated restrictions in serving its existing customer base. Additionally, if judged desirable in the context of the Nation's rural development agenda, the System's powers could be expanded so that it could serve new customers.

Section 1.1(a) of the Act sets out the policy and objectives for why Congress established the Farm Credit System.

> *It is declared to be the policy of the Congress, recognizing that a prosperous, productive agriculture is essential to a free nation and recognizing the growing need for credit in rural areas, that the farmer-owned cooperative FCS be designed to accomplish the objective of improving the income and well-being of American farmers and ranchers by furnishing sound, adequate, and constructive credit and closely related services to them, their cooperatives, and to selected farm-related businesses necessary for efficient farm operations.*

Sections 1.11(b) and 2.4(b) of the Act authorize certain FCS lenders to make loans to rural residents for single-family, moderately priced homes in rural areas where the population does not exceed 2,500 inhabitants. Additionally, section 3.7 of the Act authorizes title III banks to extend credit to entities that install, maintain, expand, improve, or operate water and waste disposal facilities in rural areas where the population does not exceed 20,000 inhabitants, based on the latest decennial census of the United States.

Section 701 of the Agricultural Credit Act of 1987 establishes the policy and objectives for why Congress established Farmer Mac.

> *It is the purpose of this subtitle—*
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> ***(1)*** *to establish a corporation chartered by the Federal Government;*
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> ***(2)*** *to authorize the certification of agricultural mortgage marketing facilities by the corporation;*
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> ***(3)*** *to provide for a secondary marketing arrangement for agricultural real estate mortgages that meet the underwriting standards of the corporation—*
>
> ***(A)*** *to increase the availability of long-term credit to farmers and ranchers at stable interest rates;*
>
> ***(B)*** *to provide greater liquidity and lending capacity in extending credit to farmers and ranchers; and*
>
> ***(C)*** *to provide an arrangement for new lending to facilitate capital market investments in providing long-term agricultural funding, including funds at fixed rates of interest; and*
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> ***(4)*** *to enhance the ability of individuals in small rural communities to obtain financing for moderate-priced homes.*

Program Activities

In order to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America, FCA performs two basic functions:

- Issuing regulations and implementing public policy; and
- Identifying risk and taking corrective action.

Issuing Regulations and Implementing Public Policy: FCA is authorized to establish regulations and policies and interpret the Act and other laws applicable to the FCS and Farmer Mac. While keeping the public in mind, we place special emphasis on developing regulations using customer-focused techniques. These include advance notice of proposed rulemaking (ANPRM), comment period reopenings and extensions, constituent/congressional committee meetings, public meetings, focus groups, town meetings, and other unique approaches to gather a broad range of public input. We also review and take action on corporate applications for mergers, consolidations, liquidations, and other corporate restructurings of entities comprising the Farm Credit System.

Identifying Risk and Taking Corrective Action: FCA has statutory authority to examine all institutions comprising the two agricultural GSEs, as well as the National Cooperative Bank. The FCS, at October 1, 2003, was comprised of 5 Farm Credit banks, 99 associations, the Federal Farm Credit Banks Funding Corporation, the Farm Credit System Financial Assistance Corporation, and 5 service corporations.

We examine each institution at least once every 18 months and issue written examination reports that contain an evaluation of the overall condition and performance of these institutions. Our examination program is risk-based, concentrating resources on institutions with the greatest complexity and/or risk exposure. We continually identify, evaluate, and proactively address risks faced by the institutions we examine.

We have authority to take an enforcement action if an institution, or any of its directors, officers, employees, or agents violates statutes or regulations or operates in an unsafe or unsound manner.[4] Enforcement actions can result in written agreements, orders to cease and desist, civil money penalties, and orders of removal, suspension, or prohibition.

In addition to enforcement actions, we use a "special supervision" process to correct problems before significant harm occurs in the institutions we examine. This process is used for instances when the institution's board and management are both willing and able to correct the problems that threaten the institution's safety and soundness. The process allows the institution to correct identified weaknesses before more stringent enforcement actions by the agency become necessary.

Agency personnel engage in a variety of activities that support FCA's two basic functions. Such activities include long-range planning and budgeting; providing pertinent information to the Federal Executive Branch, Congress, the institutions we regulate, and the public; legal counsel; economic and financial analyses; management of information and human resources and training; and administration of the performance, compensation, and benefits programs for FCA staff.

Guiding Philosophy

In the furtherance of our mission, we will adhere to the following guiding philosophy. Specifically, we will:

- Remain a fair and effective regulator that provides our constituencies with timely, accurate, and useful communications.

[4] While FCA has authority to examine and take corrective action against System institutions and Farmer Mac, FCA only has authority to examine the National Cooperative Bank.

- Continue to achieve a balance between costs required to operate the agency and the benefits that accrue to our stakeholders, but in no case will we compromise safety and soundness.

- Continue to issue regulations that promote safety and soundness and the fulfillment of public mission, while minimizing regulatory burden on the institutions we oversee.

- Continue to identify and eliminate, consistent with law and safety and soundness, all regulations that are unnecessary, unduly burdensome, or not based on law.

- Continue to seek and fully consider the public's perspective regarding regulatory proposals.

- Continue our commitment to add value to everything we do and help our stakeholders meet the challenges and opportunities of the 21st century.

- Continue to be a forward thinking organization and promote good communications, teamwork, and a positive, productive, diverse, and family-friendly work environment.

Core Values

The FCA Board endorses the following core values, adopted by its employees, which guide and reflect the way the agency conducts business. We believe these core values are essential to a positive and successful work environment.

Caring	*Initiative*
Communication	*Integrity*
Diversity	*Respect*
Excellence	*Responsibility*
Fairness	*Teamwork*
Honesty	*Trust*

Strategic Planning Process

The FCA Board began the creation of the agency's Strategic Plan 2004-2009 by holding a series of strategic planning sessions that sought input from farmers; the Farm Credit Council and other System representatives; academics, economists, and finance specialists; the American Bankers Association; the Independent Community Bankers of America; former FCA Board Chairmen; and FCA Senior Management.

Once formulated, the draft FCA Strategic Plan was announced in the Federal Register on October 21, 2003, and made available on FCA's Web site, inviting public, industry, and stakeholder comments. In addition, to meet the Government Performance and Results Act requirements for congressional consultation, the draft plan was sent to the House Committees on Agriculture, Appropriations, and Government Reform and the Senate Committees on Agriculture, Nutrition, and Forestry; Appropriations; and Governmental Affairs. We incorporated applicable comments received from the public and our stakeholders.

The FCA Board considers the agency's Strategic Plan 2004-2009 to be a dynamic document. As such, we will work with our constituencies and other experts to annually assess the plan's continued relevance.

Goals

FCA has three strategic goals. Goals 1 and 2 are primarily external in nature while Goal 3 is more internally focused. The goals are as follows:

Goal 1: Ensure the Farm Credit System and Farmer Mac fulfill their public mission for agriculture and rural areas.

FCA continues to emphasize the public purpose and mission-related responsibilities of the agricultural GSEs serving rural America while ensuring that they operate in a safe and sound manner.

The challenges of financing agriculture in a safe and sound manner remain great. This is particularly true given uncertain commodity prices, changing world competition and public policy, continued concentration and integration in agriculture, and concerns regarding safety and security of the food system, transition to the next generation of farmers and ranchers, and improving producers' income through value-added agriculture.

We will encourage system institutions to find and develop both public and private partnerships and alliances with other financial service providers to address these challenges through new and existing programs.

Goal 2: Evaluate risk and provide timely and proactive oversight to ensure the safety and soundness of the Farm Credit System and Farmer Mac.

FCA's examination and supervisory programs have been recognized for their high quality and effective results. Goal 2 focuses on preserving and enhancing the integrity of FCA's examination and supervisory programs by making improvements to address changing risks in the institutions we oversee. FCA will retain a well-trained, professional, and experienced examination staff to maintain a strong safety and soundness perspective. We will stay abreast of changing market needs and customer forces, we will have a cost effective examination process that makes full use of available technologies, and we will take necessary supervisory action to proactively ensure safety and soundness of the System and Farmer Mac.

Goal 3: Implement the President's Management Agenda.

The following five government-wide initiatives comprise the President's Management Agenda (PMA). We intend to implement to the extent practicable these initiatives in the fulfillment of the agency's mission.

Strategic Management of Human Capital
Consistent with the PMA, we will link the agency's human capital needs and strategies to our organizational mission, vision, core values, goals, and objectives. We will use strategic workforce planning and flexible tools to recruit, retain, and reward our employees and continue to develop a high-performing workforce. This will maximize our flexibility in accomplishing our mission effectively and efficiently.

Improved Financial Performance
The agency will continue to invest significant resources in maintaining a financial management system that can produce accurate, reliable, and timely information to support policy, budget, and operating decisions. Our system will also facilitate consistent and comparable trend analysis over time and better performance measurement. Additionally, sustaining an unqualified audit opinion will continue to be the rule.

Expanded Electronic Government
We will advance E-government strategy by continuing to support projects that offer performance gains across agency boundaries, such as e-regulation, e-signatures, and e-procurement. We will continue to expand our ability to electronically collect information from the System over the Internet, and we will expand the information that is available to our constituents on our Web site. Finally, we will focus on compliance with Section 508 of the Workforce Reinvestment Act to ensure our electronic and information technology is accessible to people with disabilities. These and other initiatives will enable the public to have greater access and participate more fully in the agency's decision-making process.

Budget and Performance Integration
The agency implemented performance budgeting with its fiscal year 2003 budget submission. In future submissions, the agency will include high quality outcome measures, accurately monitor the performance of programs, and integrate this presentation with associated costs. Using this information, programmatic costs and benefits will be clearly identified. This will enable the agency to enhance its control over resources used and better establish accountability for results.

Competitive Sourcing
The agency supports the idea that competition promotes innovation, efficiency, and greater effectiveness. As such, we will continue to determine our "core competencies" and then decide how to build internal capacity and to what extent to contract for services from the private sector. This process will encourage the agency to focus on continuous improvement and remove roadblocks to greater efficiency.

Key Factors Affecting Achievement of Goals and Objectives

In developing this Strategic Plan, FCA identified a number of key factors that could significantly affect achievement of one or more of the agency's strategic and operational goals. These factors have been grouped into the following two categories—internal and external.

Internal Factors

(1) *Changing work force.* The FCA work force is likely to change in the next 5 years, as a growing number of employees will become eligible for retirement. Ongoing staff retention is critical to the continued success of the agency and requires a careful assessment of staffing needs, promotion opportunities, and recruiting, training, and staff development efforts. Significant staff attrition would hamper the achievement of Goals 1, 2, and 3 due to the loss of institutional memory and technical expertise.

(2) *Ensuring competitive compensation (salary and benefits).* FCA is required by the Act and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 to seek to maintain employee compensation comparability with other Federal bank regulatory agencies (FBRAs). Since the FCA compensation strategy defines "pay comparability" as the average market rate paid by other FBRAs, the agency periodically conducts compensation surveys of the FBRAs to determine comparability. Additionally, through the efforts of a work/life coordinator, the agency remains on the forefront regarding the family-friendly programs available in the marketplace. Offering a unique combination of competitive compensation and a flexible, well-balanced work life should help employees build a rewarding career and desire to remain employed by the agency, thus enhancing the achievement of Goals 1, 2, and 3.

(3) *Continued migration to electronic-based systems.* We will continue to look for ways to streamline our operations and leverage efficiencies gained by moving from paper-based systems to electronic workflow applications and records. The gained efficiencies from this migration should allow more time and effort to be spent on mission-critical tasks, which would enhance the achievement of Goals 1 and 2. The agency will use technology to mitigate the loss of experienced staff and to assist in knowledge transfer. This will further the achievement of Goal 3.

(4) *Changing work environment.* We are currently experiencing a shift to an electronic information-based society. This shift is changing the way we conduct our activities and the way our customers communicate with us. Enhancing the agency's ability to communicate and share information with its constituents should promote achievement of both Goals 1 and 2. Enhancing the ability of FCA employees to fully utilize technology will also promote the achievement of Goals 1, 2, and 3.

(5) *Limited budget resources.* Our program activities are primarily financed through assessments on the institutions we regulate and/or examine. We realize we have a fiduciary obligation to carry out our programs in a cost-effective and efficient manner while still fulfilling our mission. Responsibly managing our resources supports the achievement of Goal 3.

(6) *Impact of technological change on regulatory and examination techniques.* The Internet and related technology offer opportunities for the agency to streamline regulatory and examination programs by enhancing the electronic exchange and evaluation of information. The continued adoption of updated technology is important to monitor and assess both

safety and soundness and fulfillment of public mission issues related to the achievement of Goals 1 and 2.

External Factors

(1) *Importance of GSE status.* GSE status of the System and Farmer Mac helps maintain a safe, sound, and dependable source of credit and related services for agriculture and rural America. This is because GSE status facilitates a competitive source of credit for eligible and creditworthy borrowers. Furthermore, it results in a capital structure that is vital to the borrowers themselves and to the safety and soundness of the System and Farmer Mac. A continuation of this status is a significant contributor to the successful achievement of Goals 1 and 2.

(2) *Uncertain funding and implementation of farm policy.* Due to increased competition for Federal funds, farm program payments may be jeopardized. If farm program payments were significantly reduced or eliminated, those agricultural lenders having a concentration in program crops dependent on conservation or commodity payments could face safety and soundness weaknesses. This scenario would result in significant risks to the agency's achievement of Goal 2.

(3) *Changing policy environment.* The policy environment for FCA will continue to be intertwined with ongoing changes in demographics and consumer preferences, increased Federal budget pressures, and focus on GSEs and corporate accountability. With fewer people directly involved in the production of agricultural products, there may be less grass-roots support for the needs of agriculture and rural America. These factors create the potential for shifts in agriculture policies and programs that may impact achievement of both Goals 1 and 2.

(4) *Structural changes in agriculture and rural areas.* The farm sector is increasingly reliant on off-farm income and government payments. In addition, many rural counties in traditional farming communities are losing population and their rural infrastructure is declining. Many producers are part-time farmers and rely on additional business opportunities to improve their economic welfare. These structural changes may impact policy actions relating to mission achievement in Goal 1 and safety and soundness in Goal 2.

(5) *Lack of investment equity in many rural areas.* Some rural areas are suffering from a loss of critical infrastructure, population, and business investment necessary to support opportunities. Furthermore, much of the capital in rural areas is held in the form of fixed assets and is not easily converted for investment purposes. Therefore, there is a need for more flexible, innovative forms of capital that will help rural areas reach their economic potential. This situation presents a challenge to the achievement of Goal 1, and a continued decline in rural areas poses increased safety and soundness concerns that could impact the achievement of Goal 2.

(6) *Uncertain economic conditions*. Uncertain economic growth presents potential risks that could affect the achievement of Goal 2. These risks include: 1) weak job growth thus

reducing the opportunities for off-farm employment for farm families; 2) quickly rising interest rates that reduce borrower repayment capacity, especially for those loans with variable rates; 3) a drop in farm real estate values due to higher interest rates or a drop in farm income or government payments; and 4) higher inflation and/or increases in energy costs that raise input costs and reduce already thin margins of many producers.

(7) *Bilateral and multilateral trade agreements*. The nature of trade agreements presents risks and opportunities to both agricultural producers and their lenders. Those with concentrations in tradable commodities could be particularly exposed to the impacts of the agreements, thus adversely affecting the agency's achievement of Goal 2.

(8) *Heightened public concerns over food and water supply safety, and environmental issues.* Protecting the food chain, water supply, and environment from possible terrorist threats is a major public concern in the current climate of world affairs. Such concerns dramatically affect demand for food products; whereas, public acceptance and confidence are vital aspects of food safety. Environmental stewardship is also an important issue. These public concerns might affect agricultural lenders' mission fulfillment as they relate to Goal 1 and they might raise additional lending risks that could impact the achievement of Goal 2.

(9) *Global food production relative to changing demographics.* Increasing foreign competition will put additional pressure on profit margins for many U.S. producers. Shifts in worldwide consumption patterns could provide marketing opportunities and risks for producers. Failure by agricultural producers and their lenders to appropriately respond to changing market conditions might impact the achievement of Goal 2.

(10) *Weather, pests, diseases, and other natural occurrences*. Any of these factors could enhance profitability or bring disaster to the various segments or commodity groupings of agriculture. Favorable weather, effective insect control, and healthy animals can increase producer profitability. Conversely, drought or floods, insect infestation, and animal diseases could be devastating to profitability in many segments of agriculture. The resulting financial difficulties could have significant implications affecting safety and soundness (Goal 2). Similarly, these factors could impact the achievement of Goal 1 based on the response by lenders in rural areas to the increased risk.

Performance Matrix

The strategic and operational goals listed in the following matrix reflect the agency's focus for future action. Means and strategies for each goal are those specific initiatives that, in concert with the agency's basic functions, achieve or advance agency goals over the next 5 years. The results achieved by the agency through the goals and initiatives identified in the Strategic Plan are reported through an integrated performance measurement system.

This system is based on three desired outcomes, or results, for the agency's operations, which are closely linked to the agency's strategic and operational goals. Agency-level performance measures have been developed for each outcome. The relationship between the agency's strategic and operational goals and its annual performance goals/measures is illustrated in the following matrix.

Strategic Plan 2004 – 2009 Performance Matrix

Goal 1
Ensure the Farm Credit System and Farmer Mac fulfill their public mission for agriculture and rural areas.
Desired Outcome
A flexible regulatory environment that enables the System and Farmer Mac to fulfill their public mission.
Means and Strategies
1. Ensure FCS lenders and Farmer Mac fulfill their public mission by reaching out to all potential customers.
2. Ensure all eligible customers have access and are treated equitably.
3. Enable the System and Farmer Mac to serve evolving customer needs by maintaining a flexible regulatory environment.
4. Emphasize regulatory activities related to young, beginning, and small (YBS) farmers, ranchers, and producers or harvesters of aquatic products.
5. Emphasize Farmer Mac's obligation to promote and encourage the inclusion of qualified loans for small farms and family farmers in the agricultural mortgage secondary market.
6. Encourage the System and Farmer Mac to use guarantee programs and work with Federal and State agencies that offer such programs to streamline processes.
7. Encourage all System institutions and Farmer Mac to continue to include a discussion in annual reports of how they are meeting their public mission.
8. Enable the agricultural GSEs to restructure themselves to best serve their customers and rural America.
9. Ensure regulatory definitions reflect the changes in agriculture, rural areas, and the financial marketplace.
10. Identify and eliminate, consistent with law and safety and soundness, all regulations that are unnecessary, unduly burdensome, or not based on law.
11. Encourage partnerships between System and non-System lenders and Farmer Mac that facilitate the flow of funds to agriculture and rural areas.
12. Publish best practices findings or establish guidelines when appropriate on FCA-regulated institutions' efficient and effective use of partnerships and other relationships with non-FCA-regulated entities to facilitate the flow of funds to agriculture and rural areas.
Performance Measures
1. Percentage of institutions[5] with effective strategic business plans[6] for providing constructive credit and related services to all potential customers. (100%)
2. The aggregate annual change in Farmer Mac's program assets in relation to the change in the total eligible agricultural mortgage market. ($\geq$ 1.00)
3. Percentage of direct-lender institutions with satisfactory consumer compliance and borrower rights examination ratings.[7] (100%)
4. Percentage of instances in which the agency solicits public comment and input on applicable regulatory initiatives using supplemental approaches[8] to the notice and comment rulemaking process. (40%)

[5] For purposes of performance measurement, the term institutions does not include the National Cooperative Bank and institutions that FCA examines on behalf of SBA and USDA on a contract basis.

[6] Effective strategic business plans are those that received a satisfactory rating from FCA examiners and comply with 12 CFR 618.8440.

[7] FCA examiner reviews of consumer compliance and borrower rights are absent any material deficiencies or weaknesses.

[8] Supplemental approaches include ANPRM, comment period reopenings and extensions, constituent/congressional committee meetings, public meetings, focus groups, town meetings, and other unique approaches to gather a broad range of public input.

5. Percentage of direct-lender institutions that have effective programs[9] to furnish sound and constructive credit and related services to YBS farmers, ranchers, and producers or harvesters of aquatic products or that have acceptable corrective action plans in place. (100%)
6. The aggregate annual change in the level of System and Farmer Mac participation in Federal and State guarantee programs in relation to the aggregate annual change in total Federal and State guarantee programs. ($\geq$ 1.00)

Strategic Plan 2004 – 2009 Performance Matrix (cont.)

Goal 2
Evaluate risk and provide timely and proactive oversight to ensure the safety and soundness of the Farm Credit System and Farmer Mac.
Desired Outcome
Effective risk identification and timely corrective action.
Means and Strategies
1. Maintain an effective examination and oversight program through maintenance of the Precommission Training Program and ongoing training of commissioned examiners.
2. Develop regulatory guidance and examination procedures that keep pace with evolving strategies used by the institutions comprising the two agricultural GSEs in addressing the changing needs of their customers in rural areas.
3. Evaluate whether each FCS institution and Farmer Mac have established and are maintaining proactive risk management practices commensurate with their respective risk-bearing capacity.
4. Evaluate whether each direct-lender institution maintains systems that allow it to analyze the characteristics of risk and borrower profiles in its loan portfolio.
5. Evaluate whether management and board governance of FCA-regulated institutions is keeping pace with the increasing size and complexity of institutions' operations.
6. Maintain early warning systems that allow timely identification of emerging risks and related issues in FCS institutions.
7. Undertake research and analysis of emerging risks and related issues and incorporate the findings into examination and oversight programs.
Performance Measures
1. Number of institutions placed in receivership due to financial failure during the previous 12 months. (None)
2. The total assets of FCS institutions with composite Financial Institution Rating System (FIRS) ratings of "1" or "2" divided by the total assets of FCS institutions. (90%)
3. Percentage of FCS institutions with composite FIRS ratings of "3," "4," or "5" with corrective action plans in place to address the underlying problems. (100%)
4. Percentage of direct-lender institutions with adverse assets to risk funds less than 100 percent. (100%)
5. Percentage of institutions complying with all regulatory capital ratio requirements (permanent capital ratio, total capital ratio, core surplus ratio, net collateral, risk-based capital). (100%)
6. Percentage of instances of non-compliance with laws or regulations resolved to FCA's satisfaction. (100%)
7. Percentage of institutions that have effective audit and review programs.[10] (100%)

[9] An effective program is one that received a satisfactory rating from FCA examiners for the most recent review of an institution's YBS program.

[10] An effective audit and review program is one that received a satisfactory rating from FCA examiners for the most recent review of an institution's internal controls.

Strategic Plan 2004 – 2009 Performance Matrix (cont.)

Goal 3
Implement the President's Management Agenda (PMA).
Desired Outcome
Effective and efficient management of resources.
Means and Strategies
1. Strategically manage human capital.
2. Upgrade the agency's financial management system.
3. Continue the expansion of electronic government.
4. Continue the evolution of budget and performance integration.
5. Give due consideration to competitive sourcing.
Performance Measures
1. The agency's human capital goals and strategies support mission needs and the PMA. (Yes)
2. Structure of agency is assessed at least once every 3 years to determine whether changes are needed to better meet mission goals. (Yes)
3. Percentage of available authorities and programs that were used to expand recruitment methods in an effort to enhance the pool of qualified applicants for entry-level hiring to include more individuals in underrepresented groups. (100%)
4. Percentage of vacancy announcements announced at multiple grade levels for positions in FCA's six most populous occupations in an effort to develop and fully utilize employees' potential. (100%)
5. Percentage of vacant non-entry level positions filled from within. (60%)
6. Percentage of established career paths for FCA's six most populous occupations to allow for the internal advancement of high-potential candidates. (100%)
7. Percentage of staff adhering to Individual Development Plans annually. (85%)
8. Audit opinion on the agency's annual financial statements as reported by the agency's external auditors. (Unqualified)
9. Number of material internal control weaknesses reported by the agency's external auditors. (None)
10. The number of business days after each month end that financial reports are available to agency managers. ($\leq$7)
11. Percentage of newly developed FCA training courses that are available electronically. (50%)
12. Percentage of agency staff with broadband connectivity remotely. (25%)
13. Percentage of the agency's Web pages and electronic devices that are section 508 accessibility compliant. (95%)
14. Availability of information technology resources and information to appropriate users to provide communication and information collection and delivery in a timely manner, as measured quarterly by reports on FCA's network and Web components. (97%)
15. Performance of an annual inventory of FCA's commercial activities for evaluation of outsourcing alternatives. (Yes)

Strategic Program Evaluation

A mix of internal and external program evaluations are employed to determine if FCA's programs are attaining their intended outcomes in a cost-effective manner.

Internal Program Evaluations

The FCA uses an integrated process to ensure program objectives and goals are aligned, focused, and assessed with accurate data. The data used to assess the agency's progress toward its strategic goals are evaluated from several perspectives to ensure appropriate alignment, integrity, validity, and focus.

Senior Staff

Strategic program evaluation oversight begins with Senior Staff, which is led by the Chief Operating Officer (COO). Senior Staff at the agency consists of all Office Directors, the Secretary to the Board, the Equal Employment Opportunity Director, the Executive Assistants to the CEO and COO, and the COO. Senior Staff meets weekly, and as directed by the COO, to discuss agency programs and issues in an effort to maintain strategic alignment with FCA Board approved strategic and annual performance goals.

Quarterly Performance Updates

Senior Staff provides a Quarterly Goal Report to the FCA Board on the status of the agency's annual performance measures and goals. Reports are provided to the Senior Staff by the offices that have direct responsibility for data concerning program performance measures, such as the Office of Examination and the Office of Policy and Analysis.

Monthly Management Reports

Monthly management reports are prepared by the respective offices and provided to either the COO or the CEO, as appropriate. The reports address office accomplishments and performance during the month. The CEO and COO review the reports for strategic alignment and performance. The reports are consolidated and forwarded to the CEO and FCA Board as a single agency-wide management report. The consolidated management report is used by the Senior Staff, along with quarterly reports, in the development of the agency's Annual Performance and Accountability Report.

Weekly Management Reports

Weekly management reports are prepared by the respective offices and provided to the COO. The reports address office accomplishments and performance during the week. The COO reviews the reports for strategic alignment and performance.

Strategic Plan

The Strategic Plan details long-term policy and management goals along with the level of performance the agency will strive to achieve over the next 5 fiscal years. FCA's Strategic Plan is posted on the FCA Internet Web site for general public review.

Annual Performance Plan

The Annual Performance Plan provides detailed information about how FCA will implement initiatives contained in the FCA Strategic Plan and is posted on the FCA Internet Web site for general public review.

Performance and Accountability Report

The Performance and Accountability Report provides detailed information about what FCA does and how well it is meeting its mission and goals. This report is also available on the FCA Internet Web site for general public review.

Office of the FCA Ombudsman

Through liaison with groups external to the agency, the FCA Ombudsman provides feedback and recommendations to the FCA Board on program-level activities of the FCA. The purpose is to influence positive change to the agency's strategic management process.

Management Control Plan (MCP)

Each agency office annually updates the MCP for their respective office and provides the MCP to the Management Controls Officer. The MCP is used by the Management Controls Officer for monitoring to ensure that all planned review work is completed within established time frames. The MCP guides agency managers in evaluating, improving, and reporting on internal controls in their programs and administrative activities.

Office Annual Operating and Performance Plans

All offices within the agency prepare an Annual Operating and Performance Plan. Assignments and delegated authorities are planned and monitored through management, with reporting and ongoing communication to ensure results. Primarily, internal controls and reporting requirements are established for those program functions that link the Annual Operating and Performance Plan to the agency's Strategic Plan. Similarly, the plans support the dedicated and highly professional staff needed to accomplish the agency's programs. Investments in training and continuing improvements in programs and practices are ongoing to achieve desired outcomes in assignments and responsibilities under FCA's Strategic Plan.

Information Resources Management Oversight Committee

The Information Resources Management Oversight Committee (Committee) is responsible for oversight, evaluation, and alignment of the agency's major information technology programs and initiatives. The Chief Information Officer serves as the Chair. All offices in the agency are represented by a voting member. The Farm Credit System Insurance Corporation is also represented by a non-voting member. The Committee is cross-functional and meets monthly, serving as an advisory and recommending body to the Senior Staff and the COO.

Quality Assurance Programs

The agency's regulatory and examination functions maintain extensive quality assurance programs through a system of internal controls in accordance with the provisions of Policies and Procedures Manual No. 1007, Evaluation of Internal Control Systems, and the Office of Management and Budget (OMB) Circular A-123.

PART

Beginning with the fiscal year 2006 budget cycle, the agency will evaluate its programs and management using the new Program Assessment Rating Tool (PART) developed by OMB. The PART was established to enhance the practical use of performance information and to implement a systematic, consistent process for evaluating program performance.

External Program Evaluations

In addition to the FCA's ongoing internal program evaluation efforts, we receive program-level feedback from three primary sources:

- ***Annual Independent Audit***
  An outside independent accounting firm conducts an annual Certified Public Accountant audit of FCA's fiscal yearend financial statements to opine on the accuracy of the financial data. This firm also provides senior management with conclusions regarding the effectiveness of the agency's program of financial controls.

- ***Office of the Inspector General Reviews***
  The Office of the Inspector General (OIG) conducts targeted reviews of various aspects of FCA operations every year. The results of these evaluations are used to further enhance FCA's strategic and annual performance planning processes. The OIG review of the agency's Loan Accounting and Reporting System is a recent example of a program evaluation received from this source. Also, it conducts an ongoing formal survey of all FCS institutions' boards of directors as to the quality of FCA examination and supervisory programs.

- ***General Accounting Office (GAO)***
  The GAO conducts targeted reviews of FCA operations on a periodic basis. In addition to providing agency specific results, it also provides an objective source of data for benchmarking purposes. GAO's review of FCA's oversight of the System's special mission to serve Young, Beginning, and Small Farmers was a more recent example of a program evaluation received from this source.