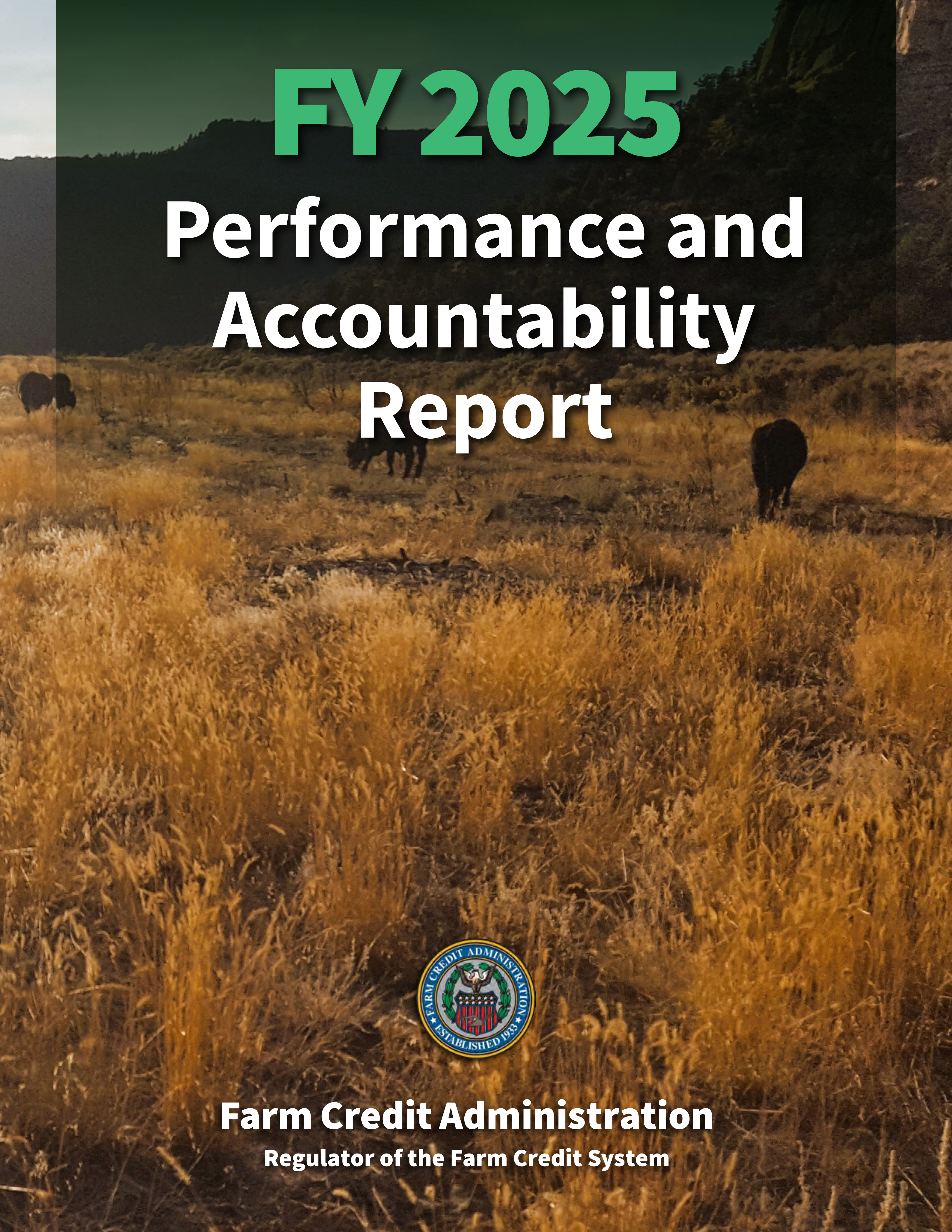


FY 2025 Performance and Accountability Report

Farm Credit Administration

Regulator of the Farm Credit System

Mission

The Farm Credit Administration ensures that Farm Credit System institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America.

Accessibility
This annual report is illustrated with photos of American farmers and ranchers, farm and ranch landscapes, and farm animals. These photographs are artifacted, and essential graphs are described in readable text.

Contents

Tables Appearing in Report

Figures Appearing in Report

List of Abbreviations Appearing in Report

CEAR	Certificate of Excellence in Accountability Reporting
CEO	chief executive officer
CSRS	Civil Service Retirement System
DATA Act	Digital Accountability and Transparency Act of 2014
EEO	equal employment opportunity
Farmer Mac	Federal Agricultural Mortgage Corporation
FCA	Farm Credit Administration
FCS	Farm Credit System
FCSIC	Farm Credit System Insurance Corporation
FCSBA	Farm Credit System Building Association
FERS	Federal Employees Retirement System
FMFIA	Federal Managers’ Financial Integrity Act
FIRS	Financial Institution Rating System
FY	fiscal year
IT	information technology
OIG	Office of Inspector General
OIT	Office of Information Technology
OMB	U.S. Office of Management and Budget
OPM	U.S. Office of Personnel Management
OSMO	Office of Secondary Market Oversight
SFFAS	Statements of Federal Financial Accounting Standards
System	Farm Credit System
YBS	young, beginning, and small (farmers and ranchers)

Statement of the Board Chairman and CEO

November 7, 2025

As board chairman and CEO of the Farm Credit Administration, I present the agency's Fiscal Year 2025 Performance and Accountability Report, covering our activities and performance from Oct. 1, 2024, through Sept. 30, 2025.

In FY 2025, FCA continued to meet the goals outlined in its strategic plan and achieved key performance targets. Our financial statements once again received an unmodified opinion from an independent auditor. Based on the results of our internal reviews, we affirm that the information in this report is complete, accurate, and reliable. No material weaknesses were identified in our internal controls.

FCA serves as the arm's length regulator of the Farm Credit System (System), including the Federal Agricultural Mortgage Corporation (Farmer Mac). Our mission is to ensure a safe, sound, and dependable source of credit for agriculture and rural America.

Providing approximately 46% of our nation's agricultural lending, the System is essential, not only to farmers and rural communities, but also to the food and economic security of the entire nation. I am pleased to report that both the System and Farmer Mac remain strong and financially sound. Together, System banks and associations held $557 billion in assets as of June 30, 2025, up 8.3% from the year before. Farmer Mac had assets of $33 billion as of that date, up 9.3% from the year before.

Ensuring the safety and soundness of the Farm Credit System and Farmer Mac so that they fulfill their public missions for agriculture and rural America is FCA's number one priority. We do this in several ways, including through our examination and regulatory authorities. Over the past fiscal year, we continued to carry out our examination and regulatory responsibilities under the Farm Credit Act effectively and efficiently.

From July 1, 2024, to June 30, 2025, FCA prepared 47 formal reports of examination, 34 interim activity letters, and 67 Financial Institution Rating System letters for System institutions and Farmer Mac. We also responded to 38 inquiries and complaints from System borrowers and loan applicants.

Each year we develop a national oversight plan to outline the areas that we believe require particular focus to ensure safety and soundness. Our National Oversight Plan for FY 2026 identifies the following areas of focus for examinations of System institutions:

- Serving agriculture in volatile times
- Operational resilience
- Public mission and young, beginning, and small (YBS) farmer and rancher programs
- System loan data reporting

We also protect the System by establishing an efficient regulatory environment. We have committed to addressing the System's input received through our regulatory burden request for comment. We are currently working with the System to develop a deregulatory plan, consistent with White House priorities.

We will continue to monitor the general and farm economy for risks that may threaten System institutions and their borrowers. As of August 2025, economic growth was positive but slowing. Inflation hovered near 3%, the labor market showed signs of softening, and interest rates remained relatively high. Fluctuating global tariffs gave pause to consumers and businesses alike. The weakening dollar increased the cost of imported goods but positively affected export-dependent sectors like agriculture.

Turning to the farm economy, there are numerous challenges, particularly in the crops sector. In 2025, weak or negative crop returns continued for the third consecutive year because of large supplies and an uncertain trade environment. Farm asset prices softened, and farm equipment cash values declined. With persistently high interest rates and declining farm income, collateral risk could increase for lenders going forward.

As we identify economic challenges and other risks, we will share our findings with the institutions we regulate. Through prudent oversight and effective regulation, we will ensure the continued safety, soundness, and mission focus of the Farm Credit System.

The accomplishments described in this report reflect the excellence, integrity, and dedication of FCA's employees nationwide. Together, we remain steadfast in our commitment to ensuring a strong, mission-driven Farm Credit System that will continue to serve rural America for generations to come.

Jeffery S. Hall

Jeffery S. Hall
Board Chairman and CEO
Farm Credit Administration

Management's Discussion and Analysis

This section provides an overview of the Farm Credit Administration and our mission. It highlights our performance, financial results, systems and controls, compliance with laws and regulations, and an assessment of future challenges and plans.

FCA at a Glance

The Farm Credit Administration is an agency in the executive branch of the U.S. government. We are responsible for regulating and supervising the Farm Credit System (FCS, System): its banks, associations, related entities, and the Federal Agricultural Mortgage Corporation (Farmer Mac).[1]

The System is a nationwide network of borrower-owned financial institutions that provide credit to farmers, ranchers, residents of rural communities, agricultural and rural utility cooperatives, and other eligible borrowers.

FCA is responsible for ensuring that the System remains a dependable source of credit for agriculture and rural America. We do this in two ways:

- We ensure that System institutions and Farmer Mac operate safely and soundly and comply with applicable laws and regulations.
- We issue regulations and policies governing how System institutions and Farmer Mac conduct their business and interact with borrowers.

For information about the condition of the System and FCA's work to ensure its safety, soundness, and mission fulfillment, see the FCA annual reports at **www fca gov/about/reports-publications**.

History highlights

1909	The Country Life Commission studies rural progress in the United States.
1912 & 1913	National commissions study European agricultural credit.
1916	Congress creates the Farm Credit System, establishing 12 federal land banks.
1923	Twelve federal intermediate credit banks are added to the System.
1933	FCA is created; production credit associations and one central bank and 12 regional banks for cooperatives are added to the System.
1939	FCA becomes part of the U.S. Department of Agriculture.
1953	FCA becomes independent of the Agriculture Department.
1968	The System repays government capital.
1971	Congress passes Farm Credit Act of 1971, from which FCA derives its current powers and authorities.
1980	The Farm Credit Act Amendments of 1980 allows System lenders to provide credit and other financial services to additional types of borrowers. They also require federal land banks and production credit associations to develop lending programs for young, beginning, and small farmers and ranchers.
1985	FCA becomes an arm's length regulator with enforcement powers.
1987	The System is authorized to receive $4 billion in federal assistance but uses only $1.3 billion.
1988	The Farm Credit System Insurance Corporation and Farmer Mac are established.
1996	Congress passes the Farm Credit System Reform Act granting Farmer Mac authority to buy and pool loans.
2005	The System repays all federal financial assistance with interest.
2017	FCA capital rule ensures that System institutions hold sufficient regulatory capital.
2018	Congress passes Agriculture Improvement Act of 2018, which enhances FCA's enforcement powers.

1 Although Farmer Mac is a Farm Credit System institution under the Farm Credit Act, we discuss Farmer Mac separately from the other institutions of the FCS. Therefore, throughout this report, unless Farmer Mac is explicitly mentioned, the Farm Credit System refers only to the banks and associations of the System.

FCA history

An executive order by President Franklin D. Roosevelt in 1933 placed all existing agricultural credit agencies under the supervision of a new agency, the Farm Credit Administration. FCA became part of the U.S. Department of Agriculture in 1939 but was split off under the Farm Credit Act of 1953. This act created the Federal Farm Credit Board with 13 members (one from each of the 12 farm credit districts and one appointed by the secretary of agriculture) to develop policy for FCA. This gave farmer-borrowers a voice at the national level.

FCA also played a pivotal role in the federal credit union movement when, in 1934, it was given responsibility for chartering, examining, and supervising all federal credit unions. Before this oversight was turned over to the Federal Deposit Insurance Corporation in 1942, FCA had chartered more than 4,000 credit unions and examined them annually.

FCA derives its current powers and authorities from the Farm Credit Act of 1971, as amended (12 U.S.C. 2001 – 2279cc). This act gave the banks and associations more flexibility in lending to production agriculture and authorized lending to commercial fishermen and rural homeowners. In 1980, the law was amended to encourage lending to young, beginning, and small farmers. The Farm Credit Amendments Act of 1985 restructured FCA to give it increased oversight, regulatory, and enforcement powers similar to those of other federal financial regulatory institutions, making FCA an arm's length regulator of the Farm Credit System. The Agricultural Credit Act of 1987 created Farmer Mac, and the Food, Agriculture, Conservation, and Trade Act Amendments (1991) created the Office of Secondary Market Oversight within FCA for Farmer Mac's supervision and regulation.

The U.S. Senate Committee on Agriculture, Nutrition, and Forestry and the U.S. House of Representatives Committee on Agriculture oversee FCA and the Farm Credit System.

For a complete history, see **Historical highlights of FCA and the FCS** on the FCA website.

FCA funding and governance

FCA is funded by System institutions, not by American taxpayers. Instead, we maintain a revolving fund financed primarily by assessments from the institutions we regulate. Other sources of income for the revolving fund are interest earned on investments with the U.S. Treasury and reimbursements for services we provide to federal agencies and others.

FCA's policy, regulatory agenda, and supervisory and examination activities are established by a full-time, three-person board whose members are appointed by the president of the United States with the advice and consent of the Senate.

Board members serve a six-year term and may remain on the board until a successor is appointed. The president designates one member as chairman of the board, who also serves as our chief executive officer.

FCSIC

FCA board members also serve as the board of directors for the Farm Credit System Insurance Corporation (FCSIC), which is a separate agency. FCSIC was established by the Agricultural Credit Act of 1987 in the wake of the agricultural credit crisis of the 1980s. The purpose of FCSIC is to protect investors in Systemwide debt securities by ensuring the timely payment of principal and interest on certain System notes, bonds, and other obligations purchased by investors. FCSIC does so by maintaining the Farm Credit Insurance Fund, a reserve that represents the equity of FCSIC.

FCA offices

Our headquarters and one field office are in McLean, Virginia. We also have field offices in Bloomington, Minnesota; Dallas, Texas; Denver, Colorado; and Sacramento, California. As of Sept. 30, 2025, FCA had 333 employees. These employees work in the following offices, with the majority serving in the Office of Examination.

The **FCA board** manages, administers, and establishes policies for FCA. The board approves the policies, regulations, charters, and examination and enforcement activities that ensure a strong

Farm Credit System and Farmer Mac. The board also oversees the activities of the FCS Building Association, which acquires, manages, and maintains FCA headquarters and field office facilities. Jeffery S. Hall is the board chairman.

The **chairman of the FCA board** serves as the chief executive officer (CEO). The CEO enforces the rules, regulations, and orders of the FCA board. This individual directs the implementation of policies and regulations adopted by the FCA board. The Office of the Chief Executive Officer plans, organizes, directs, coordinates, and controls our day-to-day operations. Jeffery S. Hall is the CEO.

The **Office of the Chief of Staff** was established by the FCA board in April 2023. The chief of staff works closely with the board chairman and CEO, the board, and the senior leadership team to advance the agency's mission. Reporting to the chief of staff are the offices of Agency Services, Chief Financial Officer, Congressional and Public Affairs, Data Analytics and Economics, Examination, Information Technology, and Regulatory Policy, as well as the chief risk officer. In addition, the chief of staff oversees the development and implementation of the agency's operating and budget plans, and proposes new program initiatives to satisfy the agency's mission requirements and the objectives of the CEO.

The **Office of Agency Services** manages and delivers human capital, operational, and workforce development services for the agency. The office consists of three service delivery teams: Human Resources Division, Operations Division, and Learning and Organizational Change Team. Services provided include strategic human capital management, recruiting, workforce planning, succession management, staffing and placement, job evaluation, compensation and benefits, payroll administration, performance management, awards, employee relations, employee training and development, property management, personnel security, continuity of operations and emergency preparedness, supply services, and mail service.

The **Office of the Chief Financial Officer** supports FCA's operations by providing financial management policy advice and reporting the agency's financial results. The office manages the agency's compliance with federal financial management and budgetary requirements. It also reports on the accuracy and propriety of transactions, the extent to which assets are accounted for and safeguarded, and the adequacy of internal controls to detect and prevent material financial misstatements. The office oversees the agency's budget; the investments committee; FCS and Farmer Mac assessments; and the agency's purchasing, credit card, and travel/relocation programs. It also facilitates the enterprise risk management and internal control efforts to help ensure operational and fiscal effectiveness and efficiency.

The **Office of Congressional and Public Affairs** serves as the agency's principal point of contact for Congress, the media, other government agencies, the Farm Credit Council, System borrowers, and the public. The office develops and monitors legislation pertinent to FCA and the FCS, serves as the agency's congressional liaison, facilitates intergovernmental relations, and prepares testimony for the chairman and other board members. It also provides information to external audiences through news releases, fact sheets, reports, videos, and other publications. The office cultivates relationships with media representatives who report on matters related to agriculture and rural credit, and it manages the content of the FCA website and social media channels. It also organizes special meetings, briefings for international visitors, and field hearings.

The **Office of Data Analytics and Economics** evaluates strategic risks to the System and agency using data, analytics, economic trends, and other risk factors. Its staff members serve as stewards for agency data and provide information to the board and management for objective, evidence-based decision-making across FCA. The office facilitates an agencywide strategy for analytics and collaborates on business intelligence tools and the development of models to meet the strategic needs of the agency.

The **Office of Equal Employment Opportunity** manages and directs the agencywide equal employment opportunity (EEO) program for FCA and FCSIC. The office serves as the chief liaison with the Equal Employment Opportunity Commission and the Office of Personnel Management on all EEO issues. The office provides counsel and leadership to agency management to carry out its continuing policy and program of nondiscrimination.

The **Office of Examination** is responsible for examining and supervising each FCS institution in accordance with the Farm Credit Act and applicable regulations. The office completes risk assessments; conducts examinations; monitors the System's condition and current and emerging risks; and develops supervisory strategies to ensure that the System operates in a safe and sound manner, complies with the law and regulations, and fulfills its public policy purpose. For more information about the role of the Office of Examination, go to fca.gov, select "board policy statements" under the Law & regulations tab, then select "Examination Philosophy" (FCA-PS-53).

The **Office of General Counsel** provides the FCA board and staff with legal counsel as well as guidance on the Farm Credit Act and general corporate, personnel, ethics, and administrative matters. The office supports the agency's development and promulgation of regulations, enforcement of applicable laws and regulations, and implementation of conservatorships and receiverships. It represents and advises the agency on civil litigation. It also serves as the liaison to the Federal Register, administers the agency's ethics program, and handles Freedom of Information Act requests.

The **Office of Information Technology** supports the information, solutions, and IT infrastructure that empower FCA to fulfill its mission. It is a respected partner in fulfilling FCA's mission through innovative solutions. The office is responsible for protecting agency technology assets, planning and implementing information technology investments, leading change to improve the efficiency and effectiveness of agency operations, and maintaining compliance with IT regulatory mandates. It is responsible for continuing to leverage FCA's investment in technology by collaborating across agency offices to identify and re-engineer business applications, data systems, and processes.

The **Office of Inspector General** provides independent and objective oversight of agency programs and operations through audits, inspections, evaluations, investigations, and the review of proposed legislation and regulations. The office promotes economy and efficiency within FCA and seeks to prevent and detect fraud, waste, abuse, and mismanagement in the agency's programs and operations.

The **Office of Regulatory Policy** manages policy and regulation development activities, at the direction of the FCA board, to ensure the safety and soundness of the FCS and support the System's mission. Policy and regulation development activities include the analysis of policy and strategic risks to the System on the basis of economic trends and other risk factors. The office also evaluates all regulatory and statutory prior approvals for System institutions on behalf of the FCA board, including chartering and other corporate approvals as well as funding approvals.

The **Office of Secondary Market Oversight** provides for the examination, regulation, and supervision of Farmer Mac to ensure its safety and soundness and the accomplishment of its public policy purpose as authorized by Congress. The office also ensures that Farmer Mac complies with applicable laws and regulations and manages FCA's enforcement activities with respect to Farmer Mac.

The **chief risk officer** works with agency leaders, the risk committee, and key staff to identify, assess, and mitigate risks to the fulfillment of the agency's mission as regulator of the Farm Credit System and Farmer Mac. The chief risk officer collaborates with internal and external stakeholders to ensure that effective risk reduction measures are in place and provides timely reports to the board and executive leaders to support their decision-making.

The **secretary to the board** serves as the parliamentarian for the board and keeps permanent and complete records of the acts and proceedings of the board. This individual ensures that the board complies with statutory, regulatory, and internal operation reporting requirements. The secretary to the board also serves as secretary to the FCSIC board. In addition, the individual serves as the Sunshine Act official for the FCA board and facilitates the agency's strategic planning efforts.

The **designated agency ethics official** is designated by the FCA chairman to administer the provisions of Title I of the Ethics in Government Act of 1978, as amended. This individual coordinates and manages FCA's ethics program and serves as liaison to the Office of Government Ethics with regard to all aspects of FCA's ethics program.

FIGURE 1

FCA organizational chart

As of October 2025

For an accessible version of this chart, visit www.fca.gov/about/fca-organizational-chart.

FCA Board

Jeffery S. Hall
Chairman

Glen R. Smith
Member

Office of the Board Chairman and Chief Executive Officer
Jeffery S. Hall

Office of Inspector General
Stephen H Ravas (Acting)

Office of the Chief of Staff
Michael A. Stokke (Acting)

Office of Equal Employment Opportunity
Thais Burlew

Office of General Counsel
Seema A. Mahini*

Office of Secondary Market Oversight†
Thomas R. Fay

Designated Agency Ethics Official
Ward Griffin

Secretary to the Board
Ashley Waldron

Office of Examination
Michael J. Duffy

Office of Regulatory Policy
Kevin Kramp

Office of Data Analytics and Economics
Jeremy D'Antoni

Office of Agency Services
Vonda Bell

Office of the Chief Financial Officer
Mary E. Peterman

Office of Information Technology
Jerry Versace

Office of Congressional and Public Affairs
Ben Mosely

Chief Risk Officer
S. Robert Coleman

* Maintains a confidential advisory relationship with each of the board members.

† Reports to the board for policy and to the CEO for administration.

Highlights of FCA's Performance Goals and Results

FCA's mission is to ensure that Farm Credit System institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America

In our Strategic Plan for Fiscal Years 2022 – 2026, we identified two strategic goals we must meet to fulfill our mission. For each goal, we identified strategic objectives to achieve the goal, as well as a set of performance metrics to monitor our progress in meeting the goal.

Strategic goals and objectives

GOAL 1 Ensure a sound financial system that provides a sustainable source of credit for agriculture and rural America

STRATEGIC OBJECTIVES

1. Ensure compliance with laws and regulations that support the sound financial condition and performance of all System institutions.
2. Ensure the System makes products and services available to all creditworthy and eligible borrowers in an impartial manner.
3. Ensure Farmer Mac provides secondary market programs that increase the availability of credit and liquidity to agriculture, rural communities, and rural infrastructure.
4. Promote opportunities for stakeholder engagement when establishing and reviewing regulatory and policy proposals.
5. Promote System lending for, and investments in, rural infrastructure to foster the vitality of rural communities.
6. Ensure the System and Farmer Mac identify and implement safeguards to mitigate the potential impact of established and emerging risks.

GOAL 2 Foster the long-term viability of the U S agricultural economy while supporting young, beginning, and small (YBS) farmers, ranchers, and aquatic producers.

STRATEGIC OBJECTIVES

1. Promote access to YBS lending programs and financial services for eligible borrowers.
2. Encourage effective outreach by System institutions to promote the success of YBS farmers, ranchers, and aquatic producers.

Our performance report (page 27) shows that we met the strategic goals identified in our strategic plan and met or exceeded most of the performance metrics for which there are data to measure performance. The following is a summary analysis of our performance in reaching our goals.

Strategic goals	Performance metrics	Met	Not met	Not applicable
Strategic goal 1: Ensure a sound financial system that provides a sustainable source of credit for agriculture and rural America.	18	13	4	1
Strategic goal 2: Foster the long-term viability of the U.S. agricultural economy while supporting young, beginning, and small (YBS) farmers, ranchers, and aquatic producers.	5	4	1	-

1

STRATEGIC GOAL 1

Ensure a sound financial system that provides a sustainable source of credit for agriculture and rural America.

The Farm Credit System, which has $557 billion in assets, provides approximately 46% of our nation's agricultural lending; therefore, its safety and soundness is critical not just to farmers and rural communities but to the food and economic security of the entire country. That's why FCA's top priority is to ensure that the System remains a safe, sound, and dependable source of credit. Our effective examination and regulation of the System's institutions are key to this mission. We are pleased to report that the Farm Credit System, including the Federal Agricultural Mortgage Corporation (Farmer Mac), remains strong and financially sound. The System continues to be well-positioned to meet the credit needs of American farmers, ranchers, and rural communities.

For strategic goal 1, we have 18 performance metrics (see table 4a on page 30). We achieved or exceeded our targets for 13 metrics associated with goal 1. Metric 2 (SO1.1.b) did not apply during this reporting period because the agency did not have any supervisory agreements in place with FCS institutions.

Performance Metric		Target	FY 2025
SO1 1 a	Most objectives listed in the preamble of each final rule were met on the two-year anniversary of the rule's effective or implementation date.	Yes	✓
SO1 1 b	Percentage of System institutions where supervisory agreement requirements were at least substantially met within 18 months of execution.	>80%	N/A
SO1 1 c	Percentage of institutions with satisfactory audit and review programs, including institutions with acceptable corrective action plans.	100%	▼
SO1 1 d	Percentage of System assets with a 1 or 2 composite Financial Institution Rating System (FIRS) rating.	>98%	▼
SO1 2 a	Percentage of FCS institutions providing products and services to creditworthy and eligible persons.	100%	✓
SO1 2 b	FCA solicited comments from the public and other interested parties on certain guidance and all regulations issued by the agency.	Yes	✓
SO1 2 c	Percentage of direct-lender institutions with satisfactory consumer and borrower rights compliance.	>90%	▲
SO1 3 a	The Office of Secondary Market Oversight (OSMO) identified emerging risks as part of the examination and oversight process.	Yes	✓
SO1 3 b	OSMO took appropriate supervisory and corrective actions.	Yes	✓
SO1 3 c	OSMO evaluated Farmer Mac's business plan to ensure that all qualified loans (including loans to small farms and family farmers) are included in secondary market programs.	Yes	✓
SO1 3 d	OSMO evaluated Farmer Mac's progress toward achieving its mission to provide a source of long-term credit and liquidity for qualified loans.	Yes	✓
SO1 3 e	OSMO assessed the need for new or revised regulatory and policy guidance for Farmer Mac as new risks emerged.	Yes	✓
SO1 4 a	FCA requested input from persons outside of FCA for at least 90% of pre-rulemaking projects and proposed rules.	Yes	✓
SO1 5 a	FCA mentioned the importance of rural infrastructure in congressional testimony and public communications.	Yes	✓

The following defines the symbols and abbreviations used in the table above: ▲ means we exceeded the target; ✓ means we achieved the target; ▼ means we did not meet the target; N/A means either that the measure is not applicable or that FCA's performance could not be measured.

Performance Metric		Target	FY 2025
SO1 5 b	FCA evaluated System institution requests for rural infrastructure investments for compliance with agency regulations and guidance.	Yes	✓
SO1 6 a	Percentage of System institutions, including Farmer Mac, with contingency plans to preserve capital adequacy, earnings capacity, and access to funding.	100%	▼
SO1 6 b	Percentage of System institutions, including Farmer Mac, addressing cybersecurity threats and controls in risk assessments and internal audit plans.	100%	▼
SO1 6 c	FCA published a semiannual Unified Agenda that outlines the agency's planned regulatory actions for the next 12 to 24 months.	Yes	✓

2 STRATEGIC GOAL 2

Foster the long-term viability of the U.S. agricultural economy while supporting young, beginning, and small (YBS) farmers, ranchers, and aquatic producers.

FCA supports the Farm Credit System's mission to serve young, beginning, and small farmers, ranchers, and producers and harvesters of aquatic products. The System's YBS mission is outlined in the Farm Credit Act, and we have adopted regulations to implement the YBS provisions of the act.

We define young farmers as those who are 35 years old or younger, and beginning farmers as those who have been farming for 10 years or less. On Dec. 29, 2023, FCA issued a revised bookletter 40, which increased the threshold for small farmers to those with less than $350,000 in annual gross cash farm income, in line with the U.S. Department of Agriculture.

For strategic goal 2, we have five performance metrics (see table 4b on page 34). We achieved or exceeded the targets for four metrics associated with goal 2.

Performance Metric		Target	FY 2025
SO2 1 a	Percentage of direct-lender institutions with YBS programs in compliance with regulations.	100%	▼
SO2 1 b	FCA published a semiannual Unified Agenda that outlines the agency's planned regulatory actions, including YBS, for the next 12 to 24 months.	Yes	✓
SO2 1 c	Qualitative and quantitative improvements were made to YBS data.	Yes	✓
SO2 2 a	Percentage of System institutions identifying outreach efforts for YBS in their annual business plans.	>90%	▲
SO2 2 b	FCA facilitated sharing of effective YBS practices among System institution decision-makers.	Yes	✓

The following defines the symbols and abbreviations used in the table above: ▲ means we exceeded the target; ✓ means we achieved the target; ▼ means we did not meet the target; N/A means either that the measure is not applicable or that FCA's performance could not be measured.

Resources to achieve our strategic goals

The strategic goals, as outlined in the strategic plan, provide a framework for the development of the annual budget request and the performance metrics and targets. We formulate and execute our budget by allocating resources according to the agency's core mission program activities of policy and regulation, and safety and soundness.

When we formulate and execute our budget, we allocate dollars as follows:

- Policy and regulation
- Safety and soundness
- Other activity

Our strategic goals encompass the core program activities of policy and regulation, and safety and soundness. For purposes of the performance budget, we established the other activity program to track our reimbursable activities. We track these activities separately from the two agency mission program budgets for policy and regulation, and safety and soundness. Table 1 displays the proportion of our budget allocated to each core program activity and the proportion of the costs associated with each program.

As shown in table 1, actual costs for agency programs in FY 2025 differed from amounts budgeted; these differences reflect changes in focus during the year. For specifics on the agency resources expended in support of our agency mission, please refer to the analysis of results of operations section on page 19.

For more information about our performance results, see the performance results tables on pages 30–35. For governmentwide performance reporting results, please refer to **www.performance.gov**.

TABLE 1

FY 2025 performance budget versus program costs

Agency programs	Percentage of total performance budget	Percentage of total program costs
Policy and regulation	18.5%	24.3%
Safety and soundness	80.0%	75.1%
Other activity	1.5%	0.6%
Total	**100 0%**	**100 0%**

The FIRS

The Financial Institution Rating System, or FIRS, is similar to the Uniform Financial Institutions Rating System used by other federal banking regulators. Both systems evaluate their regulated institutions' CAMELS—their capital, asset quality, earnings, liquidity, and sensitivity to interest rate risk. However, unlike the system used by other regulators, the FIRS was designed to reflect the nondepository nature of FCS institutions. It provides a general framework for assimilating and evaluating all significant financial, asset quality, and management factors to assign composite and component ratings to each System institution.

CAPITAL — Capital is evaluated and rated based on the quantity and quality of capital, risks that could threaten capital, the ability to capitalize asset growth, and the management of capital. System institutions are expected to maintain capital commensurate with the nature and extent of risks to the institution and the ability of management to identify, measure, monitor, and control these risks.

ASSET QUALITY — Asset quality is evaluated and rated based on the credit risk in loans, investments, other real estate owned, and other assets. Management's ability to identify, measure, monitor, and control credit risk is also reflected here. This evaluation also considers the adequacy of the allowance for credit losses.

MANAGEMENT — Management is evaluated and rated based on the effectiveness of the board and management at identifying, measuring, monitoring, and controlling the risks of the institution's activities; ensuring that the institution operates in a safe, sound, and efficient manner and complies with applicable laws and regulations; and serving its public mission.

EARNINGS — Earnings are evaluated and rated based on the quantity, quality, and sustainability of the institution's earnings. This evaluation considers the adequacy of earnings in relation to the institution's various risk exposures, earnings strategies, operating efficiency, and the adequacy of earnings to fund capital needs.

LIQUIDITY — Liquidity is evaluated and rated based on the institution's ability to fund operations and meet debt obligations and cashflow requirements without incurring unacceptable losses or materially affecting the institution's daily operations and financial condition.

SENSITIVITY — Sensitivity is evaluated and rated based on the degree to which changes in interest rates can adversely affect the institution's earnings and capital. This evaluation addresses asset-liability management practices, hedges, strategies for managing interest rate risk, and risk measurement processes.

Analyses and highlights of FCA's financial statements

Financial Highlights

Overview

We prepare our financial statements—including the balance sheet, statement of net cost, statement of changes in net position, and statement of budgetary resources—to provide a transparent view of our financial position and operational results.

In FY 2025, we received our 32nd consecutive unmodified audit opinion. Harper, Rains, Knight & Company, P.A., an independent public accounting firm, performed this year's audit. This outcome affirms that our financial statements are fairly presented in all material respects and conform to U.S. generally accepted accounting principles.

The auditors reported the following:

- **No material weaknesses**
- **No significant deficiencies**
- **No instances of noncompliance with applicable laws and regulations**

These results reflect our continued commitment to strong internal controls and financial stewardship.

The financial highlights presented in this section provide an analysis of the information that appears in our financial statements found on pages 44–46.

Financial operation of FCA

FCA is funded by System institutions, not by American taxpayers. We operate through a revolving fund supported primarily by assessments from the Farm Credit System, including Farmer Mac; interest earned on investments with the U.S. Treasury; and reimbursements for services provided to other federal agencies.

Assessments are calculated using a formula established by FCA regulation and are based on our board-approved budget. Congress typically imposes a limitation on the total obligations we may incur each fiscal year.

This funding model ensures that we remain financially independent while fulfilling our mission to regulate and oversee the FCS effectively.

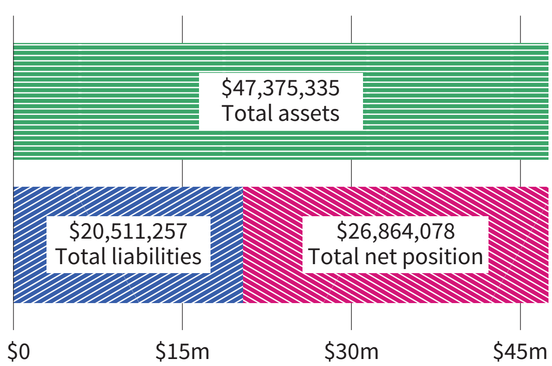
Analysis of financial position (as of Sept 30, 2025)

The balance sheet provides a snapshot of our financial position as of Sept. 30, 2025. It shows what we own (assets), what we owe (liabilities), and the net position—what remains after liabilities are subtracted from assets. This information helps assess our financial health, including our ability to meet current obligations and invest in future needs to support a safe and sound FCS.

Figure 2 illustrates our total assets, liabilities, and net position as of Sept. 30, 2025.

FIGURE 2

FY 2025 balance sheet components

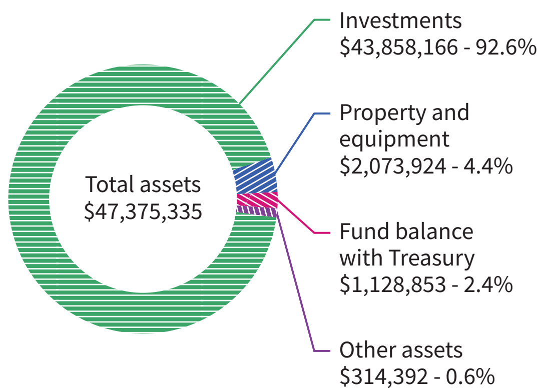


Analysis of assets

Assets are resources we own that provide current or future economic benefit. As of Sept. 30, 2025, our total assets were $47,375,335, an increase of $4,925,120 (11.6%) from FY 2024. This increase was primarily due to a greater investment balance. Figure 3 shows the composition of our assets as of Sept. 30, 2025.

FIGURE 3

Distribution of total assets for FY 2025



We held $1,128,853 in cash (fund balance with Treasury) at fiscal year-end. Although excess cash is typically invested in U.S. Treasury securities, the timing of collections affects the final balance. On Sept. 30, 2025, fewer funds were received after the investment cutoff time, resulting in a lower cash balance relative to Sept. 30, 2024. These late-day collections—primarily prepaid assessments from FCS institutions due Oct. 1—were held in cash and invested the following day.

The investment portfolio, which makes up the largest portion of our assets, increased by $5,060,945 in FY 2025. Our investments increased primarily because we had a larger amount of prepaid assessments as of Sept. 30, 2025, compared with last year. These prepaid assessments were invested in overnight Treasury securities.

In FY 2025, we purchased $14,680,504 in U.S. Treasury securities. We use an investment strategy that supports the following:

- Operational liquidity for our functions
- Interest income to build and maintain the agency's reserve

We maintain a reserve to cover unexpected, one-time events so that we do not have to raise assessments during financially challenging periods for FCS institutions. Our policy is to maintain a reserve equal to approximately two months of operating expenses.

Authorized under Section 5.15 of the Farm Credit Act of 1971, as amended, (12 U.S.C. 2250), the reserve accounted for 44.2% of the investment portfolio as of Sept. 30, 2025. The remaining balance included the following:

- Funded leave liability
- Prepaid assessments
- Obligations
- Carryover funds from prior years

Analysis of liabilities

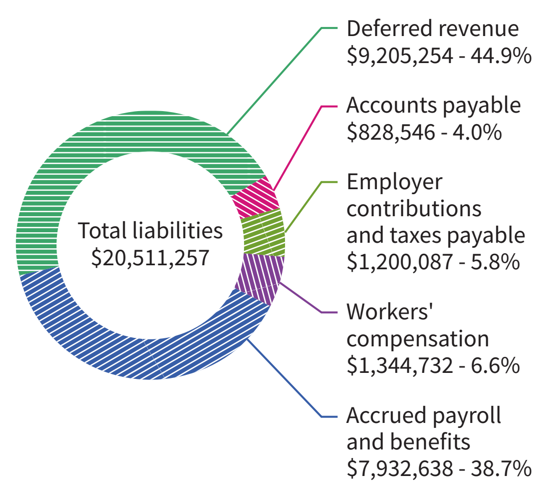
Liabilities represent our financial obligations—amounts owed to others. As of Sept. 30, 2025, liabilities included the following:

- Accounts payable
- Accrued payroll and benefits
- Employer contributions and taxes payable
- Workers' compensation
- Deferred revenue

Figure 4 shows the composition of our liabilities as of Sept. 30, 2025. The distribution on the figure differs from amounts on the balance sheet because of additional subcomponent breakdowns.

FIGURE 4

Distribution of total liabilities for FY 2025



Total liabilities increased by $3,901,488 (23.5%) from FY 2024, largely because of increases in deferred revenue and accrued payroll liabilities.

Deferred revenue, the primary driver for the increase in liabilities, increased because more FCS institutions submitted early assessment payments—due Oct. 1 but received on or before Sept. 30. We collected $3,536,218 (62.4%) more in prepaid assessments this year compared with last.

Accrued payroll and benefits increased by $405,122 (5.4%) because of a higher year-end payroll accrual. This year's accrual included one additional day compared with FY 2024, based on the timing of pay periods. Employer contributions and payroll taxes also rose for the same reason.

Analysis of net position

Our net position—the cumulative result of operations since the agency's inception—increased by $1,023,632 (4.0%) in FY 2025. This growth was primarily driven by increased investment balances, offset by the increase in the net cost of operations. For a detailed breakdown, refer to the statement of changes in net position on page 45.

Analysis of results of operations

The statement of net cost presents our program costs (expenses) and revenues for FY 2025 based on accrual accounting (revenues recognized when earned, expenses when incurred). This may differ from budget-based figures elsewhere in the report.

Our net cost of operations for FY 2025 was $10,201,467, an increase from FY 2024. Although both revenues and expenses increased, expenses grew at a faster rate, resulting in a $2,593,930 increase in net cost compared with FY 2024.

Analysis of program costs

Total expenses for FY 2025 were $106,637,023, an increase of $3,548,531 (3.4%) from FY 2024.

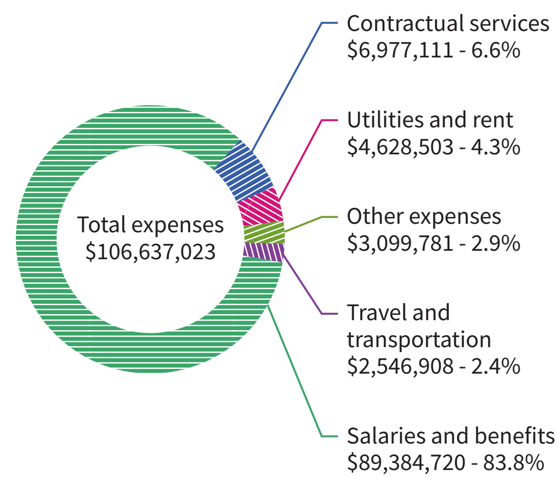
Employee salaries and benefits remain our largest expense, totaling $89,384,720 (83.8%) of program costs. We continue to recruit and train staff to meet operational challenges and address evolving risks in the FCS, including Farmer Mac.

To remain competitive, we conduct periodic compensation studies in compliance with the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, which requires parity with other federal financial regulators. This study was last completed in FY 2024 and found that our compensation was in line with other federal financial regulators.

Figure 5 highlights the distribution of program costs for FY 2025.

FIGURE 5

FY 2025 expenses



Analysis of program costs by program

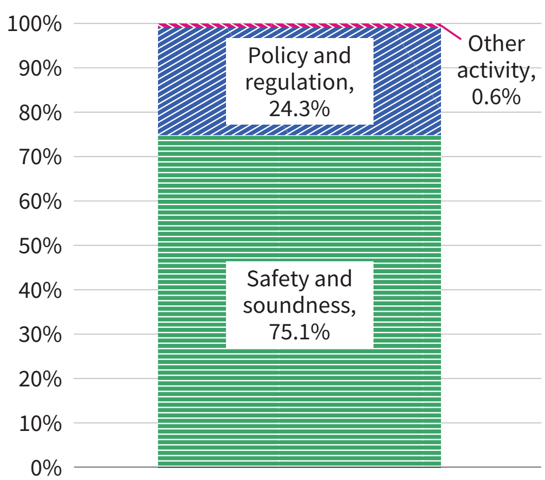
Figure 6 illustrates the distribution of our expenses across our core program areas for FY 2025. The majority of our spending supports our two primary programs: policy and regulation, and safety and soundness.

The overall increase in expenses in FY 2025 was driven by the following:

- Higher employee compensation and benefits
- Increased contractual services
- Expanded travel activity

FIGURE 6

FY 2025 percentage of expenses by program



Policy and regulation program

This program supports our mission to ensure that the FCS, including Farmer Mac, operates in a safe and sound manner and fulfills its congressional mandate. Activities include the following:

- Developing regulations and policy guidance
- Reviewing borrower complaints
- Approving FCS institution mergers

In FY 2025, costs for the policy and regulation program totaled $25,891,530, a 0.5% increase ($116,014) from FY 2024. This program accounted for 24.3% of total costs.

Safety and soundness program

This is our largest program area, focused on the examination and supervision of FCS institutions, including Farmer Mac. Key investments include the following:

- Recruiting and training examiners through the Examiner Commissioning Program
- Addressing workforce needs due to attrition and anticipated retirements

In FY 2025, program costs rose to $80,113,648, an increase of $3,335,571 (4.3%) from FY 2024. This program represented 75.1% of total costs, reflecting the significant portion of staff dedicated to examination and supervision.

Other activity

This category includes the following:

- Reimbursable services for the Farm Credit System Insurance Corporation (FCSIC)
- Oversight of the National Cooperative Bank

Costs for these activities totaled $631,845 in FY 2025, an increase of $96,946 from FY 2024. These activities accounted for 0.6% of total costs.

Analysis of earned revenues

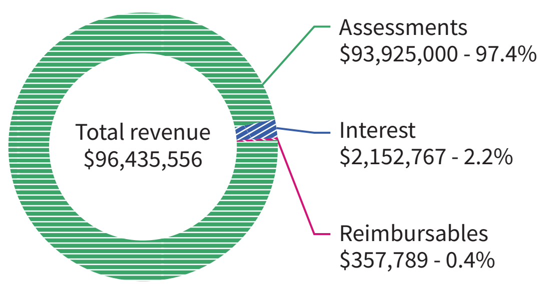
Figure 7 shows our revenue sources for FY 2025, which totaled $96,435,556, a 1.0% increase ($954,601) from FY 2024. The increase was primarily due to higher institution assessments, which are directly tied to our approved budget.

Revenue sources include the following:

- Assessments (97.4%): Collected from FCS institutions to fund our operations
- Interest on investments (2.2%): Earned from U.S. Treasury securities and used to build our reserve for unexpected expenses
- Reimbursable services (0.4%): Payments received for examining the National Cooperative Bank and providing services to FCSIC

FIGURE 7

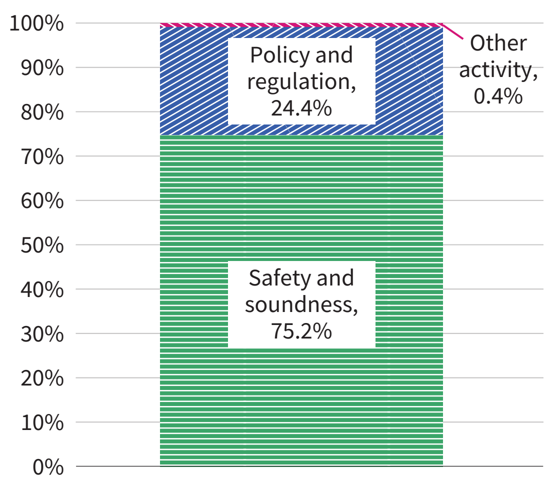
FY 2025 sources of revenue



These revenues are used to fulfill our primary goals of carrying out our public mission and ensuring the safety and soundness of the System. Figure 8 shows how earned revenue was allocated across our core program areas in FY 2025.

FIGURE 8

FY 2025 percentage of earned revenue by program



Analysis of status of funds

Our budget reflects our plan to achieve strategic goals while operating efficiently. Table 2 shows the board-approved budget for FY 2025. The overall FY 2025 budget increased by $6,205,000, or 6.5%, over the FY 2024 budget.

Although the board approved a $100,955,000 budget for FY 2025, we operated under a congressional spending limitation of $94,300,000 because of the full-year continuing resolution passed by Congress under H.R. 1968, Full-Year Continuing Appropriations and Extensions Act, 2025. This limitation applied to nonreimbursable activities and restricted the amount of assessments that could be used for our operations in FY 2025.

To stay within this limit we used these strategies:

- Closely monitored spending
- Updated projections regularly
- Adjusted operations as needed

Table 3 shows our use of assessment funds relative to the congressional limitation.

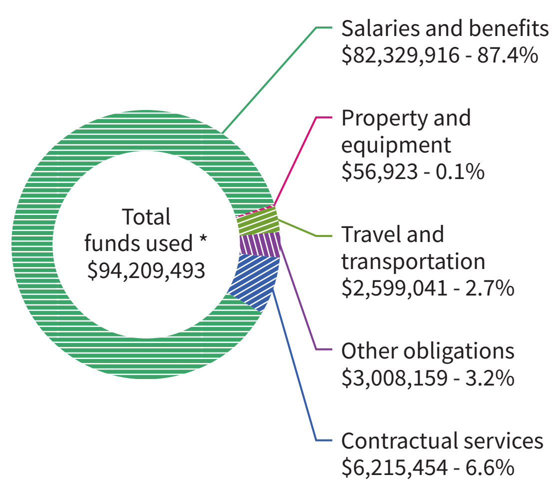
Analysis of obligations

In FY 2025, we obligated $94,209,493, a decrease of $172,733 from FY 2024. Figure 9 shows our FY 2025 obligations by major budget category. The largest spending changes were in these categories:

- Salaries and benefits
- Property and equipment
- Contractual services

FIGURE 9

Funds used by major budget category



* The total funds used represent $93,891,886 of assessment funds and $317,607 of reimbursable activity. The reimbursable activity is not subject to the congressional limitation.

Salaries and benefits continue to be the category that requires most of our funds, accounting for approximately 87.4% of total funds used in FY 2025. Costs in this category increased by $1,005,880 over the prior year. This increase was driven by planned salary adjustments and promotions, offset by a decrease in staffing levels due to natural attrition and a governmentwide hiring freeze.

The investments in our employees allow us to attract and retain a skilled workforce to meet our regulatory responsibilities.

Spending on property and equipment resulted in the largest percentage decrease, dropping by $1,099,009 (95.1%) from FY 2024. This decline is due to the completion of a major laptop replacement project. In FY 2024, we contracted with a vendor to replace our laptops. The new laptops were placed into service in FY 2025 and are now part of our capitalized property portfolio.

Contractual services represented the second largest decrease in spending in FY 2025, falling by $784,479 (11.2%) from the prior year. We reassessed our FY 2025 funding needs for contractual services to ensure we operated within the limitations imposed by the full-year continuing resolution. We reduced spending where we could while making sure to keep the key technology support and maintenance services essential for supporting mission-critical functions.

Limitations of the financial statements

As required by 31 U.S.C. 3515(b), we have prepared the principal financial statements to report the financial position and results of our operations. We have prepared these statements from our books and records in accordance with U.S. generally accepted accounting principles for federal entities and the formats prescribed by the Office of Management and Budget. Reports used to monitor and control budgetary resources are prepared from the same records.

As you read these statements, please keep in mind that they are for a component of the U.S. government.

TABLE 2

Agency budget

Budget funding sources	FY 2025
Assessments (current year)*	$99,425,000
Assessments (carryover from prior years)	1,000,000
Reimbursable activity	530,000
Total funding sources	**$100,955,000**

*Note: FY 2025 assessments were subsequently reduced by $5,500,000 because of the full-year continuing resolution passed by Congress under H.R. 1968, Full-Year Continuing Appropriations and Extensions Act, 2025.

TABLE 3

Funds used based on congressional limitation

Funding category	FY 2025 funds used	Congressional limitation	Percentage used
Assessments*	$93,891,886	$94,300,000	99.6%

* Includes both assessments for the current year and assessments carried over from prior years.

Analysis of FCA's systems, controls, and legal compliance

Statement of Assurance

November 7, 2025

The Farm Credit Administration's management is responsible for managing risks and maintaining effective internal control and financial management systems that meet the objectives of sections 2 and 4 of the Federal Managers' Financial Integrity Act.

FCA has considered risk management practices in the design of internal controls and in the assessment of their effectiveness. We conducted our assessment of risk and internal controls in accordance with OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Based on the results of this assessment, we can provide reasonable assurance that the internal controls over operations, reporting, and compliance were operating effectively as of Sept. 30, 2025. No material weaknesses were found in the design or operation of the internal controls.

As part of our evaluation process, we considered the results of extensive testing and assessment across the organization, as well as independent audits, to provide our unmodified statement of assurance.

Jeffery S. Hall
Board Chairman and CEO
Farm Credit Administration

Strategy for FCA's financial management system

We partner with the Department of the Treasury's Bureau of the Fiscal Service to provide FCA with several financial management services. This shared services approach helps us maximize efficiency while maintaining a high standard of financial management and accountability.

This partnership gives us access to core financial systems without our having to maintain the necessary technical and systems architectures. We use Oracle Federal Financials as our financial system of record. Oracle Federal Financials is a commercial, off-the-shelf software package, which is certified under the Joint Financial Management Improvement Program to meet federal government accounting requirements. This web-based software integrates our key activities, such as payroll, travel, purchase card activity, and federal investments.

Although we perform all procurement activities in house, we partner with the Fiscal Service for procurement system services and support. The procurement system is fully integrated with Oracle Federal Financials. This integration enables us to check our funds in real time and to commit and obligate funds as transactions are approved.

By working with the Fiscal Service, we comply with the OMB Financial Management Line of Business initiative, which encourages agencies to improve the cost, quality, and performance of financial management systems by using shared services.

Collaborating with the Fiscal Service also helps us achieve our perennial goal of improving financial management; the collaboration ensures that our financial systems are up to date and in compliance with the latest guidance from the Treasury and OMB. We continue to work on streamlining our business processes to ensure efficient and effective financial management operations.

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act (FMFIA) requires federal agencies to establish and maintain a system of internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.

The management control objectives under the FMFIA are to reasonably ensure the following:

- Obligations and costs comply with applicable laws
- Assets are safeguarded against waste, loss, unauthorized use, or misappropriation
- Revenues and expenditures are properly recorded and accounted for

Agencies must evaluate and report on the effectiveness of their internal controls and assess whether their financial management systems comply with requirements outlined in section 4 of the FMFIA.

As a federal agency, we ensure our compliance with the FMFIA through our financial management system strategy, internal control program, and compliance with applicable laws and regulations.

Internal control program

We have established internal controls to meet the objectives of the FMFIA. Our system of internal control conforms with the Government Accountability Office's Standards for Internal Control in the Federal Government (Green Book).

Our internal controls are designed to provide reasonable assurance that transactions are properly recorded, processed, and summarized so that we can prepare financial statements accurately and safeguard our assets.

Our program offices are responsible for implementing and maintaining effective risk management practices and internal controls to ensure the following:

- Alignment of strategic goals with the agency's mission
- Effective and efficient operations
- Reliable reporting
- Compliance with applicable laws and regulations

We conduct risk-based internal control assessments in accordance with OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, and applicable appendices. Based on the results of the assessments, we have reasonable assurance that controls over operations, reporting, and compliance with laws and regulations are designed and operating effectively.

In addition, our independent financial statement auditor reported that we maintained effective internal control over financial reporting and compliance with applicable laws and regulations. The auditor did not report any material weaknesses or significant deficiencies.

Prompt Payment Act

We follow the Prompt Payment Act guidelines, which calls on agencies to report on efforts to make timely payments to vendors, as well as the amount of interest penalties paid for late payments.

During FY 2025, we paid on time 100% of the invoices subject to the Prompt Payment Act. We use Treasury's Invoice Processing Platform to manage our invoicing process, which streamlines our processing and helps ensure timely payment.

Debt Collection Improvement Act

The Debt Collection Improvement Act of 1996 prescribes standards for carrying out federal agency collection actions and for referring an agency's uncollectible debts to the proper federal agency for collection and litigation. The act has no material effect on us because we operate with virtually no delinquent debt.

This act was amended by the Digital Accountability and Transparency Act of 2014 (DATA Act) to require that debts outstanding for more than 120 days be transferred to the Treasury Department for collection under the Treasury Offset Program. We have transferred applicable debt to the Treasury Department.

Digital Accountability and Transparency Act

The DATA Act was enacted to increase accountability and transparency in federal spending and expand the requirements of the Federal Funding Accountability and Transparency Act of 2006. Since our agency does not receive federal tax dollars, OMB has determined that FCA is not subject to the reporting requirements of the DATA Act.

Inspector General Act

The Inspector General Act of 1978, as amended, requires inspectors general to keep their agency heads and Congress fully and currently informed concerning problems, abuses, and deficiencies related to agency programs and operations. The semiannual reports prepared by FCA's Office of Inspector General (OIG) describe its audits, inspections, evaluations, investigations, and other oversight activities.

FCA OIG posts all audit, inspection, and evaluation reports on its website within three business days of final submission to the FCA board. Below is summary information on these reports, as well as our progress in taking corrective action.

Summary of OIG audit, inspection, and evaluation activities

At the beginning of FY 2025, 11 recommendations remained open from prior fiscal years. FCA OIG issued four audit, inspection, or evaluation reports during FY 2025, resulting in nine new recommendations. Over the course of FY 2025, FCA closed 16 recommendations. As of Sept. 30, 2025, four remained open.

The reports are available on FCA OIG's website at **www.fca.gov/about/inspector-general-plans-and-reports.** OIG completed the following reviews in FY 2025.

- Farm Credit Administration's Financial Statements Fiscal Year 2024 (Nov. 7, 2024): The audit produced no recommendations.
- Farm Credit Administration's Inclusion of the Whistleblower Protection Enhancement Act's "Anti-gag" Statement in Nondisclosure Materials (Jan. 3, 2025): The inspection produced five recommendations.
- Farm Credit Administration's Compliance with the Payment Integrity Information Act of 2019 for Fiscal Year 2024 (Feb. 14, 2025): The inspection produced no recommendations.
- 2025 Evaluation of the Farm Credit Administration's Compliance with the Federal Information Security Modernization Act (July 23, 2025): The evaluation produced four recommendations.

Summary of OIG recommendations

Open recommendations as of Oct. 1, 2024	11
New recommendations during FY 2025	9
Recommendations closed during FY 2025	16
Open recommendations as of Sept. 30, 2025	4
Recommendations open more than one year	0

OIG survey of FCS institutions regarding the agency's examination function

FCA OIG conducts a quarterly survey of FCS institutions on the agency's examination function. It issues reports on the survey results to the FCA board and the FCA chief examiner. In FY 2025, OIG issued the following survey report: Third and Fourth Quarters Fiscal Year 2024 (March 31, 2025).

Program Performance

This section discusses FCA's performance against the performance goals and metrics set for FY 2025.

FCA performance report

FCA's mission is to ensure that System institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America. We fulfill our mission by (1) issuing regulations and implementing public policy and (2) identifying risk and taking corrective action.

In FY 2022, the FCA board adopted two strategic goals in the FY 2022–2026 strategic plan. These goals provide the overarching framework for the agency's performance. The following information outlines the strategic goals and eight related strategic objectives of our FY 2025 performance plan and explains the purpose of each. We support the strategic goals and objectives with 23 metrics.

The tables at the end of this section include the metrics we used to help us meet our strategic goals and strategic objectives for the fiscal year. They also provide the results of those metrics. Because we revised our performance metrics in 2022, five years of results are not available for comparative reporting for all metrics.

Strategic goals

Goal 1 — Ensure a sound financial system that provides a sustainable source of credit for agriculture and rural America

This strategic goal directly reinforces FCA's mission and addresses the following three focus areas:

- The challenges facing System institutions. We must consider these challenges as we evaluate merger proposals and administer examination and regulatory programs.
- The effectiveness of the contingency plans of System institutions and Farmer Mac in addressing threats to agriculture.
- The preparedness of System institutions and Farmer Mac for cybersecurity threats and events.

Goal 1, strategic objective 1: Ensure compliance with laws and regulations that support the sound financial condition and performance of all System institutions.

Complying with laws and regulations is crucial for System institutions because it helps maintain their stability and overall health. It helps protect them against legal and operational risks, prevent unethical behavior, and maintain the trust of borrowers and other stakeholders. It also fosters transparency, accountability, and fair practices, which are essential for the long-term success of the institutions and the broader financial system.

Goal 1, strategic objective 2: Ensure that the System makes products and services available to all creditworthy and eligible borrowers in an impartial manner.

FCA regulations require each direct-lender System institution to include in its operating and strategic business plan a marketing plan with strategies for providing its products and services to all creditworthy and eligible prospective borrowers. Serving all such borrowers in an impartial manner strengthens access to opportunities for economic growth and risk management. This approach contributes to a healthier farm economy.

Goal 1, strategic objective 3: Ensure that Farmer Mac provides secondary market programs that increase the availability of credit and liquidity to agriculture, rural communities, and rural infrastructure.

Farmer Mac helps increase the availability of credit in rural communities by giving lenders greater liquidity and lending capacity, thus enhancing their service to farmers, ranchers, and rural utilities. The Farm Credit Act requires the Farmer Mac board to promote the inclusion of qualified loans for small farms and family farmers in the agricultural mortgage secondary market. FCA, through its Office of Secondary Market Oversight, monitors and oversees Farmer Mac's activities. Ensuring that Farmer Mac provides effective secondary market programs supports agriculture and rural communities by facilitating access to credit and liquidity. This, in turn, contributes to increased agricultural productivity, job creation, and improved living standards in rural areas. Furthermore, secondary market programs can attract more investors to rural investment projects, ultimately stimulating economic growth and resilience in these regions.

Goal 1, strategic objective 4: Promote opportunities for stakeholder engagement when establishing and reviewing regulatory and policy proposals.

Promoting opportunities for stakeholders to engage in the regulatory and policy development process leads to better decision-making. Involving a range of stakeholders, including industry representatives, borrower advocates, experts, and the public, ensures that we consider different perspectives, concerns, and expertise when setting policy. This collaborative approach helps us identify potential pitfalls, unintended consequences, and alternative solutions. It also increases transparency and accountability, fostering public trust and reducing the likelihood of contentious issues arising later. Ultimately, engaging stakeholders leads to more balanced and well-rounded regulations and policies that are more likely to achieve their intended goals.

Goal 1, strategic objective 5: Promote System lending for, and investments in, rural infrastructure to foster the vitality of rural communities.

Supporting rural infrastructure fosters the vitality of rural communities by stimulating economic growth, improving agricultural productivity, delivering quality services, and attracting further investment. This makes current rural residents less likely to move away and others more likely to move into rural communities. In essence, promoting System lending for, and investments in, rural infrastructure strengthens rural communities, ensuring they will be there for future generations.

Goal 1, strategic objective 6: Ensure that the System and Farmer Mac identify and implement safeguards to mitigate the potential impact of established and emerging risks.

Identifying and implementing safeguards to mitigate the impact of risk is a fundamental part of the System's and Farmer Mac's responsibilities. Doing so is critical to their ability to fulfill their roles in supporting agriculture and rural communities. These safeguards foster financial resilience, stakeholder trust, regulatory compliance, and long-term sustainability.

Goal 2 — Foster the long-term viability of the U S agricultural economy while supporting young, beginning, and small (YBS) farmers, ranchers, and aquatic producers.

Congress requires that System associations maintain programs to provide credit and related services to YBS farmers, ranchers, and aquatic producers. These programs bolster the agriculture industry's ability to provide for the nation's food needs, maintain economic vitality, and address pressing challenges such as the transition of agriculture operations from one generation to the next. Achieving this goal supports food security, economic stability, rural development, innovation, generational transition, skill development, community vibrancy, and global competitiveness.

Goal 2, strategic objective 1: Promote access to YBS lending programs and financial services for eligible borrowers.

This strategic objective promotes access to YBS services for eligible borrowers. This helps ensure that all eligible borrowers in an institution's territory can take advantage of the services the institution offers to YBS producers.

Goal 2, strategic objective 2: Encourage effective outreach by System institutions to promote the success of YBS farmers, ranchers, and aquatic producers.

This objective helps ensure that System institutions reach out to potential YBS borrowers in their territories. Effective outreach is critical to identifying groups and individuals who might not otherwise know that these services exist. Achieving this objective gives more YBS producers the chance to succeed.

Data validation and verification

FCA ensures the completeness, reliability, and quality of the information in this report through data validation and verification. These efforts primarily entail regular internal agency processes for ensuring accurate data generation, entry, and reporting; data integrity; and independent peer review.

FCA's data validation and verification efforts include the following:

- Using applied measurement techniques to identify sources, validate data, and generate meaningful information
- Identifying and implementing authoritative sources, calculations, and standards
- Using automated data collection systems and reporting whenever available
- Using automated data checking procedures and manual verification
- Analyzing data and identifying possible discrepancies for resolution
- Implementing controls, such as restricting permissible values, flagging outliers for review, and visually checking results in development stages of dashboards and reports
- Requiring data owners and users to review data
- Consolidating and deploying enterprise tools for standardized reporting
- Performing independent quality assurance reviews before issuing reports
- Reviewing and discussing performance results with the executive leadership team

Performance Measures and Results

The following defines the symbols and abbreviations used to describe targets: **>** means greater than; **N/A** means the measure is not applicable; ▲ means we exceeded the target; ✓ means we achieved the target; ▼ means we did not meet the target; ⊖ means not available.

We revised agency performance metrics in 2022. Where we previously reported on the same metrics, we have included five years of data. For the years during which we did not report on a given metric, we indicate ⊖ (not available).

The reporting period for the metrics for goals 1 and 2 is July 1, 2024, to June 30, 2025. This is primarily due to the availability of data and information for several of these metrics. After the end of each calendar quarter period, System institutions submit quarterly financial data. We review the data and other information and update our ratings under FCA's Financial Institution Rating System. For consistency, we use the same reporting period for all metrics for goals 1 and 2.

TABLE 4A

Performance measures and results — Goal 1

Ensure a sound financial system that provides a sustainable source of credit for agriculture and rural America.

Performance Metrics	2020 Results	2021 Results	2022 Results	2023 Results	2024 Results	2025 Target	2025 Results	Status
SO1 1 a: Most of the objectives listed in each final rule preamble were met on the two-year anniversary of the rule's effective or implementation date.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	✓
Discussion: Two rules met the reporting requirement. The objectives listed in the preamble of the final rules were met on the two-year anniversary of the implementation date.								
SO1 1 b: Percentage of System institutions where supervisory agreement requirements were at least substantially met within 18 months of execution.	N/A	N/A	N/A	N/A	N/A	>80%	N/A	**N/A**
Discussion: The agency does not have any FCS institutions under enforcement. This metric is not applicable as of June 30, 2025.								
SO1 1 c: Percentage of institutions with satisfactory audit and review programs, including institutions with acceptable corrective action plans.	99%	100%	99%	98%	100%	100%	98.3%	▼
Discussion: Our oversight and examination program specifically emphasizes strong internal controls at all System institutions, including internal controls over financial reporting. In 2025, 98.3% of institutions had satisfactory audit and review programs or acceptable corrective action plans. However, the 100% target was not met because one institution's corrective action plan was not adequate to resolve internal control program weaknesses. This institution is now under an increased level of examination oversight.								

Performance Metrics	2020 Results	2021 Results	2022 Results	2023 Results	2024 Results	2025 Target	2025 Results	Status
SO1 1 d: Percentage of System assets with a 1 or 2 composite Financial Institution Rating System (FIRS) rating.	99%	99%	99%	99%	99%	>98%	94.2%	▼
Discussion: FCA uses the FIRS ratings to assess the safety and soundness of each FCS institution. Similar to the systems used by other federal banking regulators, FIRS is a framework of component and composite ratings to help examiners evaluate significant financial, asset quality, and management factors. FIRS ratings range from 1 for a sound institution to 5 for an institution likely to fail. In 2025, 94.2% of all System assets (which include loans to borrowers, System investments, and acquired property) were held by institutions with a 1 or 2 composite FIRS rating. However, the >98% target was not met because two institutions did not have a composite rating of 1 or 2 as of June 30, 2025. These institutions are under an increased level of examination oversight.								
SO1 2 a: Percentage of institutions providing products and services to creditworthy and eligible persons.	99%	99%	100%	100%	100%	100%	100%	✓
Discussion: FCA regulations require each direct-lender System institution to include in its operating and strategic business plan a marketing plan with strategies for providing the institution's products and services to all creditworthy and eligible persons. Annually, we review all System institutions' business plans for compliance with FCA regulations and examination guidance. In 2025, 100% of FCS institutions had satisfactory operating, marketing, and strategic plans for providing products and services to all creditworthy and eligible persons.								
SO1 2 b: FCA solicited comments from the public and other interested parties on certain guidance and all regulations issued by agency.	⊖	⊖	⊖	Yes	N/A	Yes	Yes	✓
Discussion: FCA published two rules for comment in the Federal Register. Additionally, FCA published the Unified Regulatory Agenda in spring and fall, notifying stakeholders of our upcoming regulatory plan. Following the publication of the Unified Agenda, we may discuss the regulatory plan with our stakeholders at various events.								
SO1 2 c: Percentage of direct-lender institutions with satisfactory consumer and borrower rights compliance.	96%	99%	100%	100%	100%	>90%	100%	▲
Discussion: Our examiners regularly evaluate compliance with consumer and borrower rights regulations by reviewing direct-lender institutions' policies, programs, processes, and loans. In 2025, 100% of direct-lender institutions had satisfactory consumer and borrower rights compliance.								
SO1 3 a: The Office of Secondary Market Oversight (OSMO) identified emerging risks as part of the examination and oversight process.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	✓
Discussion: FCA, through OSMO, monitors and oversees Farmer Mac's activities. We effectively identify risk by completing an annual risk assessment of Farmer Mac's operations to determine where to focus examination resources and time. In addition, we issue an annual informational memorandum to identify specific areas of emphasis during the upcoming examination cycle. We identify these focus areas during our annual planning process and consider them for updates based on the results of our ongoing monitoring and oversight.								

Performance Metrics	2020 Results	2021 Results	2022 Results	2023 Results	2024 Results	2025 Target	2025 Results	Status
SO1 3 b: OSMO took appropriate supervisory and corrective actions.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	✓
Discussion: Through OSMO we issue corrective actions to Farmer Mac's board and management with the aim of improving overall safety and soundness. We evaluate actions taken to address matters requiring attention and recommendations on a quarterly basis and summarize progress in interim activity letters and the annual report of examination. In 2025, actions taken in response to our examination activities strengthened Farmer Mac's operations, and its efforts to address corrective actions were satisfactory.								
SO1 3 c: OSMO evaluated Farmer Mac's business plan to ensure that all qualified loans (including loans to small farms and family farmers) are included in secondary market programs.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	✓
Discussion: Statute requires the Farmer Mac board to promote and encourage the inclusion of qualified loans for small farms and family farmers in the agricultural mortgage secondary market. Through OSMO, we evaluated Farmer Mac's 2025 business plan and found that the plan contained strategies for promoting and encouraging the inclusion of all qualified loans, including small and family farm loans, in its secondary market programs. In addition, we reviewed Farmer Mac's mission achievement report, which Farmer Mac submits annually to FCA; this report includes activity related to small and family farms.								
SO1 3 d: OSMO evaluated Farmer Mac's progress toward achieving its mission to provide long-term credit and liquidity for qualified loans.	⛔	⛔	⛔	Yes	Yes	Yes	Yes	✓
Discussion: Farmer Mac submits an annual mission achievement report to FCA, which includes activity related to small and family farmers and market penetration. Each year during our examination of Farmer Mac, we review its mission achievement report, and we document results and conclusions in our annual report of examination. We included these results in our 2024 report of examination, which was issued to Farmer Mac in October 2024, and we will include these results in our 2025 report.								
SO1 3 e: OSMO assessed the need for new or revised regulatory and policy guidance for Farmer Mac as new risks emerged.	⛔	⛔	⛔	Yes	Yes	Yes	Yes	✓
Discussion: Through OSMO, we assess the need to develop, revise, or rescind regulatory and policy guidance for Farmer Mac in our annual operating plan. If new risks emerge during the year, we adjust planned regulatory or policy projects.								

Performance Metrics		2020 Results	2021 Results	2022 Results	2023 Results	2024 Results	2025 Target	2025 Results	Status
SO1 4 a: FCA requested input from persons outside of FCA for at least 90% of pre-rulemaking projects and proposed rules.		Yes	Yes	Yes	Yes	Yes	Yes	Yes	✓
Discussion: FCA regulatory and policy workgroups engage in pre-rulemaking and policy drafting outreach to the Farm Credit System and other interested parties in developing positions for board consideration.									
SO1 5 a: FCA mentioned the importance of rural infrastructure in congressional testimony and public communications.		⊖	⊖	⊖	Yes	Yes	Yes	Yes	✓
Discussion: The members of the board have discussed the System's support for rural infrastructure projects at System conferences and other gatherings.									
SO1 5 b: FCA evaluated System institution requests for rural infrastructure investments for compliance with agency regulations and guidance.		⊖	⊖	⊖	Yes	Yes	Yes	Yes	✓
Discussion: FCA reviews and analyzes all System requests to complete rural infrastructure investment projects requested through FCA Regulation 615.5140(e).									
SO1 6 a: Percentage of institutions, including Farmer Mac, with contingency plans to preserve capital adequacy, earnings capacity, and access to funding. A. Banks and associations B. Farmer Mac	A	⊖	⊖	⊖	98%	100%	100%	98.3%	▼
	B	⊖	⊖	⊖	100%	100%	100%	100%	✓
Discussion: A. Our examination program emphasizes the adequacy of the strategic business plans of System banks and associations, focusing on capital and portfolio planning. Our examiners review each institution's plan to ensure that the evaluation of capital needs and capitalization goals and strategies includes an assessment of key uncertainties in the operating environment. Similarly, we evaluate whether stress testing scenarios are sufficient to capture the impacts of the macroeconomic stressors on borrower financial performance and portfolio quality. In 2025, 98.3% of the System's banks and associations had contingency plans to preserve capital adequacy, earnings capacity, and access to funding. However, the 100% target was not met because one institution did not have sufficient contingency plans to preserve earnings capacity or adequately address negative stress test results. B. Farmer Mac, which is monitored and overseen by OSMO, had sufficient contingency plans.									

Performance Metrics		2020 Results	2021 Results	2022 Results	2023 Results	2024 Results	2025 Target	2025 Results	Status
SO1 6 b: Percentage of institutions, including Farmer Mac, addressing cybersecurity threats and controls in risk assessments and internal audit plans. A. Banks and associations B. Farmer Mac	A	⊖	⊖	⊖	100%	100%	100%	98.3%	▼
	B	⊖	⊖	⊖	100%	100%	100%	100%	✓
Discussion: A. Our oversight and examination program specifically evaluates how System institutions address cybersecurity threats and controls in risk assessments and internal audit plans. In 2025, 98.3% of System banks and associations had satisfactory risk assessments and internal audit plans addressing cybersecurity threats and controls. However, the 100% target was not met because one institution did not adequately address cybersecurity threats and controls in its 2025 risk assessment and internal audit plans. This institution is now under an increased level of examination oversight. B. Farmer Mac, which is monitored and overseen by OSMO, adequately addressed cybersecurity threats and controls in its 2025 risk assessments and internal audit plan. Additionally, Farmer Mac's cyber risk management program complied with FCA's cyber risk management rule, which became effective Jan. 1, 2025.									
SO1 6 c: FCA published a semiannual Unified Agenda outlining planned regulatory actions for the next 12 to 24 months.		⊖	⊖	⊖	Yes	Yes	Yes	Yes	✓
Discussion: The fall Unified Agenda was published on Dec. 13, 2024, after approval by the Office of Management and Budget (OMB). The spring 2025 Unified Agenda was published on Sept. 4, 2025, after OMB approval.									

TABLE 4B

Performance measures and results — Goal 2

Foster the long-term viability of the U.S. agricultural economy while supporting young, beginning, and small (YBS) farmers, ranchers, and aquatic producers.

Performance Metrics	2020 Results	2021 Results	2022 Results	2023 Results	2024 Results	2025 Target	2025 Results	Status
SO2 1 a: Percentage of direct-lender institutions with YBS programs in compliance with regulations.	100%	100%	100%	100%	100%	100%	96.6%	▼
Discussion: We continue to evaluate the effectiveness of association YBS programs in providing constructive credit to eligible and creditworthy YBS farmers and ranchers. We have also updated examination guidance as needed to enhance our ability to assess institution efforts and regulatory compliance in this area. In 2025, 96.6% of institutions had YBS programs in compliance with regulations. However, the 100% target was not met because two institutions did not disclose demographic data as required by FCA regulation in their 2024 annual reports.								

Performance Metrics	2020 Results	2021 Results	2022 Results	2023 Results	2024 Results	2025 Target	2025 Results	Status
SO2 1 b: FCA published a semiannual Unified Agenda outlining planned regulatory actions, including YBS, for the next 12 to 24 months.	⊖	⊖	⊖	Yes	Yes	Yes	Yes	✓
Discussion: See metric SO1.6.c.								
SO2 1 c: Qualitative and quantitative improvements were made to YBS data.	⊖	⊖	⊖	Yes	Yes	Yes	Yes	✓
Discussion: To improve data quality, we updated reporting instructions for the lending data and clarified definitions. We also improved the data quality by reaching out to institutions before they submitted data, which facilitated faster submissions by the institutions and required fewer quality-assurance follow-ups by FCA.								
SO2 2 a: Percentage of institutions identifying outreach efforts for YBS in annual business plans.	⊖	⊖	⊖	100%	100%	>90%	100%	▲
Discussion: Annually, we review all System institutions' business plans, including the strategies related to their YBS programs, for compliance with FCA regulations and examination guidance. Institutions should include sound, well-considered, and documented strategies and actions for marketing their products and services to all eligible and creditworthy persons — and, specifically, for reaching out to YBS farmers and ranchers. Our examination activities include review of institution annual reports for discussion of how they are meeting their mission and how successful their outreach efforts have been. In 2025, 100% of FCS institutions identified their YBS outreach efforts in their operating, marketing, and strategic plans. All direct-lending associations had the required YBS program identified in their annual business plans in accordance with FCA Regulation 614.4165.								
SO2 2 b: FCA facilitated sharing of effective YBS practices among institution decision-makers.	⊖	⊖	⊖	Yes	Yes	Yes	Yes	✓
Discussion: We facilitated conversations with institutions in the System, including funding banks, associations, and service providers, to ensure the quality of YBS data. This included encouraging the institutions to work together, share best practices, and reach out to FCA for additional assistance, if needed.								

Financial Section

In this section, we present our independent auditors' report and our financial statements and notes. We prepared these statements and accompanying notes in compliance with U.S. generally accepted accounting principles for the federal government and OMB Circular A-136, Financial Reporting Requirements.

Message from the Chief Financial Officer

November 7, 2025

I am honored to join Chairman Hall in presenting the Farm Credit Administration's Fiscal Year (FY) 2025 Performance and Accountability Report. This marks my first report since joining FCA as chief financial officer, and I am deeply grateful for the opportunity to lead this exceptional financial management organization. The financial statements, accompanying analysis, and performance results reflect our continued commitment to optimizing financial resources in support of FCA's mission—to ensure that System institutions and Farmer Mac fulfill their responsibilities to agriculture and rural America.

For the 32nd consecutive year, FCA received an unmodified (clean) audit opinion on its financial statements. The independent auditors concluded that our financial statements were fairly presented in all material respects and in accordance with U.S. generally accepted accounting principles. Importantly, the audit identified no material weaknesses, significant deficiencies, or instances of noncompliance with applicable laws and regulations.

In FY 2025, FCA was proud to receive the prestigious Certificate of Excellence in Accountability Reporting from the AGA for our FY 2024 report. This award reflects our agency's dedication to excellence in integrating performance and financial reporting and is a testament to the hard work and professionalism of FCA staff across the agency.

Operating under a full-year continuing resolution in FY 2025 required FCA to adjust its planned spending to remain within congressionally approved limits. As a result of prudent financial management, we were able to reduce assessments on Farm Credit System institutions—providing additional support to the agricultural community through these savings.

Looking ahead to FY 2026 and beyond, we will continue to strengthen financial analysis and accountability to support informed decision-making. Our focus remains on advancing the agency's priorities of safety, soundness, and innovation. As we embrace transformative opportunities in how we operate, I am particularly excited to explore the use of artificial intelligence and robotic process automation to enhance productivity, creativity, and efficiency—both within the Office of the Chief Financial Officer and across the agency.

I am deeply appreciative of the talented professionals at FCA who plan, execute, and account for the agency's financial resources. Their dedication to sound financial management and to providing reliable, timely information to our stakeholders is the foundation of our strong stewardship and continued success.

Sincerely,

Mary E. Peterman

Mary E. Peterman, MPA, CGFM, CPA
Chief Financial Officer

Transmittal Letter of Auditor's Report

FCA OIG
Farm Credit Administration
Office of Inspector General

November 7, 2025

The Honorable Jeffery S. Hall, Board Chairman and Chief Executive Officer
The Honorable Glen R. Smith, Board Member
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Dear Chairman Hall and Board Member Smith:

The Office of Inspector General contracted with the independent public accounting firm Harper, Rains, Knight & Company, P.A. (HRK) to audit the financial statements of the Farm Credit Administration (FCA) as of and for the fiscal year ended September 30, 2025, and to provide a report on internal control over financial reporting and compliance with laws and other matters. The contract required that the audit be performed in accordance with *Government Auditing Standards*, Office of Management and Budget audit guidance, and the United States (U.S.) Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency's *Financial Audit Manual*.

In its audit of FCA's financial statements, HRK reported:

- the financial statements were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting; and
- no reportable noncompliance with provisions of laws tested or other matters.

In connection with the contract, we reviewed HRK's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit of the financial statements, was not intended to enable us to express, and we do not express, opinions on FCA's financial statements or conclusions about the effectiveness of internal control over financial reporting, or on compliance with laws and other matters. HRK is responsible for the attached auditors' report dated November 7, 2025, and the conclusions expressed therein. However, our review disclosed no instances where HRK did not comply, in all material respects, with *Government Auditing Standards*.

Respectfully,

Sonya K Cerne

Sonya K. Cerne
Assistant Inspector General for Audits, Inspections, and Evaluations

Enclosure

cc: Robin Boston, Executive Assistant to Board Chairman Hall
Michael Stokke, Acting Chief of Staff and Executive Assistant to Board Member Smith

1501 Farm Credit Drive, McLean, VA 22102 703-883-4030 www.fca.gov/about/inspector-general

Independent Auditor’s Report

Harper, Rains, Knight & Company

Independent Auditors' Report

The FCA Board and Acting Inspector General
Farm Credit Administration

Report on the Audit of the Financial Statements

Opinion

In accordance with the Accountability of Tax Dollars Act, we have audited the financial statements of the Farm Credit Administration (FCA). FCA's financial statements comprise the balance sheet as of September 30, 2025, and the related statement of net cost, changes in net position, and budgetary resources for the fiscal year then ended, and the related notes to the financial statements.

In our opinion, FCA's financial statements present fairly, in all material respects, FCA's financial position as of September 30, 2025, and its net cost of operations, changes in net position, and budgetary resources for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FCA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

FCA's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; preparing, measuring, and presenting the Required Supplementary Information (RSI) in accordance with accounting principles generally accepted in the United States of America; preparing and presenting other information included in documents containing the audited financial statements and auditors' report, and ensuring the consistency of that information with the audited financial statements and the RSI; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Certified Public Accountants · Consultants · hrkcpa.com

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The FCA Board and Acting Inspector General
Farm Credit Administration (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with GAAS, GAGAS and OMB Bulletin No. 24-02 will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually, or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, GAGAS, and OMB Bulletin No. 24-02, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FCA's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America issued by the Federal Accounting Standards Advisory Board (FASAB) require that the information in the Management's Discussion and Analysis be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB who considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with GAAS, which consisted of (1) inquiries of management about the methods of preparing the RSI and (2) comparing the information for consistency with management's responses to the auditors' inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit, and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

The FCA Board and Acting Inspector General
Farm Credit Administration (continued)

Other Information

Our audit was conducted for the purpose of forming an opinion on FCA's financial statements. The information in the Statement of Board Chairman and CEO, Program Performance, and Other Information sections contain a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the Other Information. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

Report on Internal Control over Financial Reporting

In planning and performing our audit of FCA's financial statements as of and for the year ended September 30, 2025, in accordance with GAGAS, we considered FCA's internal control relevant to the financial statement audit as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FCA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of FCA's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of FCA's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses. However, material weaknesses and significant deficiencies may exist that have not been identified.

The FCA Board and Acting Inspector General
Farm Credit Administration (continued)

Report on Internal Control over Financial Reporting (continued)

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

As part of obtaining reasonable assurance about whether FCA's financial statements are free from material misstatement, we performed tests of its compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosures in FCA's financial statements, and to perform certain other limited procedures, but not for the purposes of expressing an opinion on FCA's compliance with applicable laws, regulations, contracts, and grant agreements. Accordingly, we do not express such an opinion. We did not test compliance with all laws, regulations, contracts, and grant agreements applicable to FCA. FCA management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the entity.

Our tests of compliance with these selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for the year ended September 30, 2025, that would be reportable under GAGAS or OMB Bulletin No. 24-02. We caution that noncompliance may occur and not be detected by these tests.

***Purpose of the Other Reporting Required by* Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by GAGAS is solely to describe the scope of our testing of internal control and compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on the effectiveness of FCA's internal control or compliance. These reports are an integral part of an audit performed in accordance with GAGAS and OMB Bulletin No. 24-02 in considering the entity's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

Harper, Rains, Knight & Company, P.A.

November 7, 2025
Washington, DC

Financial Statements

We have prepared the accompanying financial statements in accordance with U.S. generally accepted accounting principles and with the Office of Management and Budget (OMB) Circular A-136, as amended. All amounts are in whole dollars. Our financial statements include the following:

- Balance sheet, which shows our assets, our liabilities, and our net position (assets minus liabilities).
- Statement of net cost, which shows our net cost of operations. We calculate our net costs by subtracting any revenue we earn from our gross costs. We break the statement of net cost into three program components: policy and regulation, safety and soundness, and other activity.
- Statement of changes in net position, which shows the changes in our net position for the year ended Sept. 30, 2025.
- Statement of budgetary resources, which shows our resources, the status of our resources, and the outlay of resources during the fiscal year.
- Notes to the financial statements, which provide additional detail regarding the amounts in the financial statements.

Not all the statements mentioned in OMB Circular A-136 apply to our agency. For this reason, we do not include a statement of custodial activity or a statement of social insurance.

Balance sheet

As of Sept. 30, 2025
(In dollars)

Balance sheet categories	Description	2025
Assets	**Intragovernmental**	
	Fund balance with Treasury (note 2)	$1,128,853
	Investments (note 3)	
	Federal investments	43,689,667
	Interest receivable — investments	168,499
	Accounts receivable (note 4)	3,629
	Advances and prepayments	71,551
	Total intragovernmental	**45,062,199**
	With the public	
	Accounts receivable (note 4)	8,864
	General property, equipment, and software, net (note 5)	2,073,924
	Advances and prepayments	230,348
	Total with the public	**2,313,136**
	Total assets	**$47,375,335**
Liabilities	**Intragovernmental**	
	Accounts payable	$3,936
	Other liabilities (note 7)	
	Other liabilities (without reciprocals)	125,172
	Liability to the General Fund of the U.S. government for custodial and other nonentity assets	19
	Benefit program contributions payable	441,022
	Total intragovernmental	**570,149**
	With the public	
	Accounts payable	$824,591
	Actuarial workers' compensation liability (note 6)	1,313,090
	Employer contributions and payroll taxes payable	665,535
	Advances from others and deferred revenue	9,205,254
	Accrued payroll and benefits	7,932,638
	Total with the public	**19,941,108**
	Total liabilities (note 6)	**$20,511,257**
Net position	**Cumulative results of operations–funds from dedicated collections** (note 8)	**$26,864,078**
	Total net position	**$26,864,078**
	Total liabilities and net position	**$47,375,335**

The accompanying notes are an integral part of these statements.

Statement of net cost

For the year ended Sept. 30, 2025
(In dollars)

Agency programs	Program costs	2025
Policy and regulation	Gross costs	$25,891,530
	Less: Earned revenue	(23,490,745)
	Net program cost	$2,400,785
Safety and soundness	Gross costs	$80,113,648
	Less: Earned revenue	(72,587,672)
	Net program cost	$7,525,976
Other activity	Gross costs	$631,845
	Less: Earned revenue	(357,139)
	Net program cost	$274,706
Net cost of operations (note 9 and note 14)		**$10,201,467**
Totals		
Total gross program cost		$106,637,023
Less: total earned revenue		(96,435,556)
Net cost of operations (note 9 and note 14)		**$10,201,467**

Statement of changes in net position

For the year ended Sept. 30, 2025
(In dollars)

Cumulative results of operations		2025
Beginning balances (includes funds from dedicated collections) (note 8)		$25,840,446
Other financing sources (Non-exchange)	**Imputed financing sources**	
	Federal employee benefits (note 10)	7,075,749
	Rent (note 10)	4,150,000
	Other	(650)
	Total financing sources	11,225,099
Net cost of operations		(10,201,467)
Net change		1,023,632
Cumulative results of operations (includes funds from dedicated collections) (note 8)		$26,864,078
Net position		**$26,864,078**

The accompanying notes are an integral part of these statements.

Statement of budgetary resources

For the year ended Sept. 30, 2025
(In dollars)

Statement of budgetary resources categories	Line item description	2025
Budgetary resources	Unobligated balance from prior year budget authority, net	$25,233,206
	Spending authority from offsetting collections	99,527,386
	Total budgetary resources (note 12)	**$124,760,592**
Status of budgetary resources	New obligations and upward adjustments (total)	$93,466,386
	Unobligated balance, end of year	
	Exempt from apportionment, unexpired accounts	22,088,952
	Exempt from apportionment, not available	9,205,254
	Unobligated balance, end of year (total)	31,294,206
	Total budgetary resources (note 12)	**$124,760,592**
Outlays, net	Outlays, net (total)	$(4,080,494)
	Distributed offsetting receipts	(650)
	Agency outlays, net (note 14)	**$(4,081,144)**

The accompanying notes are an integral part of these statements.

Notes to the financial statements

NOTE 1

Summary of significant accounting policies

A. **Reporting entity** — FCA is a component of the U.S. government. For this reason, some of our assets and liabilities may be eliminated for governmentwide reporting purposes because they are offset by assets and liabilities of another U.S. government entity. These financial statements should be read with the realization that they are for a component of the U.S. government. See the section titled FCA at a Glance on page 7 for details on the reporting entity.

B. **Basis of accounting and presentation** — The financial statements have been prepared in accordance with OMB Circular A-136, as amended. In addition, the financial statements have been prepared on an accrual basis from our books and records in accordance with generally accepted accounting principles and the Statements of Federal Financial Accounting Standards (SFFAS) prescribed by the Federal Accounting Standards Advisory Board, the official body for setting accounting standards for the federal government. Under the accrual method, revenues are recognized when earned, and expenses are recognized when goods or services are received, without regard to receipt of funds or payment of cash. FCA is not subject to apportionment. We have applied budgetary accounting to facilitate compliance with legal constraints and control over the use of funds.

C. **Budgetary terms** — The purpose of federal budgetary accounting is to control, monitor, and report on funds made available to federal agencies by law and help ensure compliance with the law. We use the following commonly used budgetary terms in this report:

- **Budgetary resources:** Amounts available to incur obligations each year. Budgetary resources consist of new budget authority for the current budget fiscal year and unobligated (available) balances of budget authority provided in previous years.
- **Obligations:** Binding agreements that will result in outlays (cash disbursements), immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.
- **Offsetting collections:** Payments to the agency that, by law, are credited directly to expenditure accounts. We are authorized to use these funds for the purposes of carrying out our mission without further action from Congress. These funds become our primary form of budget authority each year. Offsetting collections and unobligated balances from prior years account for our total budgetary resources.
- **Offsetting receipts:** Payments to the agency that are credited to offsetting General Fund receipt accounts. We are not authorized to use these funds in our operations. We transfer them to Treasury at the end of each fiscal year.
- **Outlays:** Payments to liquidate obligations; also known as cash disbursements. Outlays are a measure of government spending.

D. **Fund balance with Treasury** — We maintain a revolving, no-year account with the U.S. Treasury through which cash receipts and disbursements are processed. We do not receive appropriated funds. See note 2.

E. **Investments** — The Farm Credit Act gives us the authority to invest in public debt securities with maturities suitable to our needs. We invest solely in U.S. Treasury securities, which are normally held to maturity and carried at cost. Investments are adjusted for unamortized premiums or discounts. Premiums and discounts are amortized, and interest is accrued using the level-yield method of effective interest amortization over the term of the respective issues. We use interest earned on investments to build and maintain an agency reserve, which allows us to respond effectively and efficiently to unexpected, unbudgeted expenses without increasing assessments. See note 3.

F. **Accounts receivable** — Accounts receivable are composed of reimbursements for FCA administrative expenses according to agreements with other federal entities, assessments from institutions in accordance with the Farm Credit Act and FCA regulations, and any amounts owed FCA that are generated through the normal course of business with employees and vendors.

   Amounts due from federal agencies are considered fully collectible. An allowance for uncollectible amounts receivable from the public is established when we have considered the debtor's ability to pay and determined that the collection is unlikely to occur.

   The Office of the Chief Financial Officer, in conjunction with the agency's accounting service provider, the Bureau of the Fiscal Service, reviews the agency's accounts receivable on a regular basis. We have determined that all accounts receivable as of Sept. 30, 2025, are fully collectible. See note 4.

G. **General property, equipment, and software** — Property (including vehicles), equipment, and software are recorded at cost, net of an allowance for accumulated depreciation. See note 5.

H. **Advances and prepaid expenses** — Payments made before the receipt of goods and services are recorded as advances or prepaid expenses and are recognized as expenses when the goods and services are received. This process helps to minimize large dollar fluctuations in cost and provides for the recognition of cost based on use. When the prepayment amount has minimal impact on our expenses, it is more cost-effective to expense the advance or prepayment at the time of payment. We establish advances for prepaid maintenance agreements over $20,000 and for prepaid training exceeding $15,000.

I. **Accounts payable** — Accounts payable consist of amounts owed to other federal agencies and the public. We strive to make payments in a timely manner in accordance with the Prompt Payment Act. If payments are late, we pay interest penalties.

J. **Liabilities** — Liabilities may or may not be covered by budgetary or other resources. All our liabilities are covered by budgetary resources except for the actuarial workers' compensation liability (see note 6). Intragovernmental liabilities are claims against us by other federal agencies.

K. **Funds from dedicated collections** — Funds from dedicated collections represent agency financing funded by specifically identified revenues that remain available over time. These specifically identified revenues are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the government's general revenues. At FCA, our funds are all considered funds from dedicated collections. See note 8.

L. **Inter-entity costs** — Goods and services are received from other entities at no cost or at a cost less than full cost to the providing entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by FCA are recognized as imputed cost on the statement of net cost and are offset by imputed revenue on the statement of changes in net position. FCA's inter-entity costs that are reported as imputed costs include federal employee benefits and rent. See note 10.

M. **Annual, sick, and other leave** — Annual leave, compensatory leave, credit hours, and some other types of leave are accrued as a funded liability when earned, with an offsetting reduction for leave taken. The accrued leave liability for each of these types of leave is calculated using current pay rates. Sick leave and other types of nonvested leave are expensed as the leave is taken. Our leave liability is composed of both compensation and the associated benefits. This ensures that our estimated liability for leave reflects the current composition of our staff. Nearly all our employees are under the Federal Employees Retirement System instead of the Civil Service Retirement System.

N. **Assessments** — A substantial portion of our revenues is based on direct assessments billed to the System institutions we regulate or examine. We also recognize revenues based on examination services provided by the Office of Examination. We use a formula established in our regulations to calculate assessments. We base each institution's assessment, in part, on its average risk-adjusted assets and its overall financial health.

O. **Deferred revenue** — Any funds received before the beginning of the new fiscal year are considered unearned revenue and are reported as deferred revenue on the balance sheet. These amounts are also reported as "exempt from apportionment, not available" on the statement of budgetary resources.

P. **Use of estimates** — We have made certain estimates and assumptions when reporting assets, liabilities, revenue, and expenses; we have also made estimates and assumptions in the note disclosures. Actual results could differ from these estimates. Some estimates include year-end accruals and accrued workers' compensation.

Q. **Financial data** — All amounts presented in this report are in whole dollars.

R. **Classified activities** — Accounting standards require all reporting entities to disclose that accounting standards allow them to modify certain presentations and disclosures if needed to prevent the disclosure of classified information. FCA does not have any classified activities.

S. **Leases** — Accounting standards require all reporting entities to (1) recognize operating leases as lease assets and lease liabilities on the balance sheet and (2) disclose key information about significant leasing arrangements. As rent is provided to FCA at no cost (see note 10), we have determined this reporting requirement does not apply to FCA.

NOTE 2

Fund balance with Treasury

Description	2025
Status of fund balance with Treasury	
Unobligated balance	$31,294,206
Obligated balance not yet disbursed	12,620,076
Subtotal — status of fund balance	43,914,282
Funds invested with Treasury, net of unamortized discount	(42,785,429)
Total fund balance with Treasury	**$1,128,853**

The fund balance with Treasury is an asset account that shows our available cash. The balance in the account increases as we collect funds and decreases as we disburse funds. The status of our fund balance with Treasury may be classified as unobligated or obligated. Unobligated amounts represent funds available for incurring new obligations, as well as funds not yet available for use. The funds not yet available for use represent the amount of new fiscal year assessments received before Oct. 1 and are classified as deferred revenue on the balance sheet. Amounts noted as “obligated balance not yet disbursed” represent amounts designated for payment of goods and services received and not yet paid.

Unobligated balances noted above agree with unobligated balances reported on the statement of budgetary resources.

No discrepancies exist between the fund balance reflected in the balance sheet and the balances as reported by the Department of the Treasury.

All of our funds invested with Treasury are in U.S. Treasury securities.

NOTE 3

Investments

Amounts for 2025 balance sheet reporting

Intragovernmental securities	Cost	Amortized (premium) discount	Investments, net	Interest receivable	Investment balance	Market value disclosure
Nonmarketable: market-based	$42,788,553	$901,114	$43,689,667	$168,499	$43,858,166	$43,906,739

Premiums and discounts are amortized, and interest is accrued using the level-yield method of effective interest amortization over the term of the respective issues. Interest revenue on investments was $2,152,767 for FY 2025.

All of our funding is categorized as funds from dedicated collections (see note 8). We deposit the funds collected into the U.S. Treasury in exchange for investments in Treasury securities. These securities provide FCA with the authority to draw upon the U.S. Treasury when redeemed to make future payments or pay for other expenditures.

The U.S. Treasury does not set aside assets to pay expenditures associated with our funds; instead, the cash generated from funds from dedicated collections is used by the U.S. Treasury for general governmental purposes. The government finances the investment redemptions out of accumulated cash balances by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures.

The Treasury securities we purchase are an asset to FCA and a liability to the U.S. Treasury. Because FCA and the U.S. Treasury are both part of the federal government, these assets and liabilities offset each other from the perspective of governmentwide reporting. For this reason, our Treasury securities represent neither an asset nor a liability in the U.S. governmentwide financial statements.

NOTE 4

Accounts receivable

Description	2025
Intragovernmental	
Reimbursements for services provided	$3,629
Subtotal	3,629
With the public	
Reimbursements for services provided	8,307
Expenditure refunds	557
Subtotal	8,864
Total accounts receivable	**$12,493**

Intragovernmental receivables represent reimbursable services provided to FCSIC but unbilled as of Sept. 30. Receivables for services provided to the public represent amounts not yet collected related to the cost of examining the National Cooperative Bank and employee receivables.

We do not have any uncollectible accounts receivable and therefore do not display any estimate for allowance for uncollectible accounts.

NOTE 5

General property, equipment, and software

As of Sept 30, 2025

Reconciliation of changes in capitalized property, net	
Net book value, Oct. 1, 2024	$1,647,545
Acquisition of capital assets	1,071,263
Depreciation expense	(644,884)
Net book value, Sept. 30, 2025	**$2,073,924**

Type of asset	Estimated useful life	Depreciation method	Acquisition value	Accumulated depreciation/amortization	Net book value
Equipment	3 years	Straight line	$1,989,403	$(1,096,684)	$892,719
Equipment	5 years	Straight line	555,100	(476,988)	78,112
Equipment	10 years	Straight line	305,304	(305,304)	0
Software	5 years	Straight line	3,367,579	(2,264,486)	1,103,093
Total capitalized assets			**$6,217,386**	**$(4,143,462)**	**$2,073,924**

Repairs and maintenance costs are expensed as incurred. We capitalize all property and equipment with itemized costs of $50,000 or more and a useful life of two years or more. We also capitalize groups of items that individually are under $50,000 but together meet the bulk purchase criteria of $500,000 or more. We capitalize software when its costs exceed $250,000 and when the software has a useful life of two years or more. We use the straight-line method of depreciation with half-year convention to allocate the cost of capitalized property, equipment, or software over its estimated useful life.

NOTE 6

Liabilities not covered by budgetary resources

We record an unfunded liability (liability not covered by budgetary resources) for the actuarial workers' compensation liability under the Federal Employees' Compensation Act (FECA). The actuarial FECA liability is the estimated liability for future benefit payments and is recorded as a component of federal employee benefits. The actuarial liability estimate for benefits under FECA includes the expected liability for costs associated with death, disability, and medical care for approved compensation cases. The estimate also includes costs associated with incurred but unreported claims.

The Department of Labor estimates future workers' compensation liability for specified entities that are preparing financial statements under the Chief Financial Officers Act and the Government Management Reform Act. Because we are not one of the entities for which the Department of Labor provides individual estimates on a routine basis, we calculated our estimated FECA actuarial liability amount by using the Department of Labor's FY 2025 model.

Liability description	2025
Actuarial workers' compensation liability	$1,313,090
Total liabilities not covered by budgetary resources	1,313,090
Total liabilities covered by budgetary resources	19,198,167
Total liabilities	**$20,511,257**

NOTE 7

Other liabilities

There are three categories of intragovernmental other liabilities in our balance sheet. The benefit program contributions payable line represents the employer portion of payroll taxes and benefit contributions, such as retirement, and health and life insurance. These intragovernmental liabilities also include the amount of our funded liability for FECA. The other liabilities (without reciprocals) line item refers to transactions that are intragovernmental in nature, but no reciprocal balances will be reported by any other federal entity. For FCA, these balances relate to accrued liabilities for employees' withholding taxes under the Federal Insurance Contributions Act and hospital insurance tax.

Other liabilities	2025
Intragovernmental	
Other liabilities (without reciprocals)	$125,172
Liability to the General Fund of the U.S. government for custodial and other nonentity assets	19
Benefit program contributions payable	441,022
Total intragovernmental other liabilities	566,213
Total other liabilities	**$566,213**

NOTE 8

Funds from dedicated collections

Our primary source of funding are the assessment collections from the FCS, including Farmer Mac. Collections of the assessments, by statute, fund our agency operations and are not general revenues of the federal government. As such, we classify our funds as dedicated collections.

Description	Total funds from dedicated collections (consolidated) 2025
Balance sheet	
Assets	
Intragovernmental assets	
Fund balance with Treasury	$1,128,853
Investments	43,858,166
Accounts receivable	3,629
Advances and prepayments	71,551
Total intragovernmental assets	45,062,199
Assets with the public	
Accounts receivable	$8,864
General property, equipment, and software, net	2,073,924
Advances and prepayments	230,348
Total assets with the public	2,313,136
Total assets	**$47,375,335**
Liabilities	
Intragovernmental liabilities	
Accounts payable	$3,936
Other liabilities	566,213
Total intragovernmental liabilities	570,149
Liabilities with the public	
Accounts payable	$824,591
Federal employee benefits payable	8,598,173
Advances from others and deferred revenue	9,205,254
Other liabilities	1,313,090
Total liabilities with the public	19,941,108
Total liabilities	**$20,511,257**
Cumulative results of operations	26,864,078
Total liabilities and net position	**$47,375,335**
Statement of net cost	
Gross program costs	$106,637,023
Less: earned revenues	(96,435,556)
Net program costs	10,201,467
Net cost of operations	**$10,201,467**

Description	Total funds from dedicated collections (consolidated) 2025
Statement of changes in net position	
Cumulative results of operations	
Beginning balance	$25,840,446
Imputed financing	11,225,749
Other	(650)
Net cost of operations	(10,201,467)
Net change in cumulative results of operations	1,023,632
Cumulative results of operations: ending	26,864,078
Net position, end of period	**$26,864,078**

NOTE 9

Suborganization program costs

The following table provides a detailed breakout of the statement of net cost for the fiscal year ended Sept. 30, 2025. We display our cost and earned revenue amounts by office within each program. The offices displayed in the below table are the primary mission offices, while the cost and revenue for the remaining FCA offices are captured in the other offices column; see the FCA organizational chart on page 11 for a list of the other offices.

For the year ended Sept 30, 2025

Agency programs	Program costs	Office of Examination	Office of Regulatory Policy	Office of Secondary Market Oversight	Other offices	Total
Policy and regulation	Gross costs	$175,356	$7,233,216	$636,087	$17,846,871	$25,891,530
	Less: earned revenue	(158,149)	(6,519,079)	(625,326)	(16,188,191)	(23,490,745)
	Net program cost	17,207	714,137	10,761	1,658,680	2,400,785
Safety and soundness	Gross costs	47,596,060	481,962	1,360,887	30,674,739	80,113,648
	Less: earned revenue	(42,998,907)	(434,378)	(1,302,480)	(27,851,907)	(72,587,672)
	Net program cost	4,597,153	47,584	58,407	2,822,832	7,525,976
Other activity	Gross costs	122,535	0	872	508,438	631,845
	Less: earned revenue	(69,261)	0	(493)	(287,385)	(357,139)
	Net program cost	53,274	0	379	221,053	274,706
Net cost of operations		**$4,667,634**	**$761,721**	**$69,547**	**$4,702,565**	**$10,201,467**

NOTE 10

Inter-entity cost

Federal employee benefits

Benefit description	2025
Imputed pension costs	$3,745,285
Other imputed retirement benefits	3,330,464
Total imputed benefit costs	**$7,075,749**

We report the amount of our pension expense and other retirement benefits in accordance with SFFAS 5, Accounting for Liabilities of the Federal Government. These expenses are treated as an imputed expense, which is recognized when amounts remitted to the Office of Personnel Management (OPM) are less than the full cost to the government. Corresponding amounts of imputed revenue are recorded to offset the imputed cost.

Pension expenses — Our employees are covered under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) to which we make contributions according to plan requirements. CSRS and FERS are multiemployer plans. We do not maintain or report information about the assets of the plan, nor do we report actuarial data for accumulated plan benefits. The reporting of such amounts is the responsibility of OPM.

Other retirement benefit expenses — We recognize an expense for the cost of providing health benefits and life insurance to our employees after they retire. OPM provides the factors used to calculate these costs.

Rent

FCA office description	2025
Leased field offices	$1,448,875
FCA headquarters	2,701,125
Total imputed rent	**$4,150,000**

In accordance with the Farm Credit Act, we occupy buildings owned and leased by the FCS Building Association (FCSBA). Our administrative headquarters building is in McLean, Virginia. In addition, the FCSBA leases office space for field offices on our behalf at various locations throughout the United States. Rent is provided at no cost to us. Our imputed rent expense is an estimate based on the FCSBA’s estimated budget for FY 2025. In accordance with SFFAS 4, Managerial Cost Accounting Concepts and Standards for the Federal Government, the rent expense and the associated imputed revenue are recorded as a nonmonetary transaction.

NOTE 11

Undelivered orders at the end of the year

Undelivered orders are contracts or orders issued for which goods and services have not been received. This includes any orders for which we have paid in advance but not yet received. Undelivered orders as of Sept. 30, 2025, are presented in the table below.

As of Sept. 30, 2025, budgetary resources obligated for undelivered orders were as follows:

Type of undelivered orders	Intragovernmental	With the public	Total
Paid undelivered orders	$71,551	$230,348	$301,899
Unpaid undelivered orders	247,615	2,672,267	2,919,882
Total undelivered orders	**$319,166**	**$2,902,615**	**$3,221,781**

NOTE 12

Explanation of differences between the statement of budgetary resources and the budget of the U S government

SFFAS 7 requires the reporting of material differences between amounts reported in the statement of budgetary resources and the actual amounts reported in the Budget of the United States Government.

There are no material differences between the amounts reported in the FY 2024 statement of budgetary resources and the FY 2024 actual amounts reported in the FY 2026 Budget of the United States Government. The FY 2027 Budget of the United States is not yet available, so we cannot yet compare the FY 2025 actual amounts with the amounts reported in the FY 2025 statement of budgetary resources. The budget is expected to be available in February 2026 at www.whitehouse.gov/omb/budget/.

NOTE 13

Incidental custodial collections

Our custodial collections include receipts to cover the costs of fulfilling Freedom of Information Act requests; they also include other receipts, such as interest and penalties. During the fiscal year, we include these collections in the fund balance with Treasury account. However, since these collections are immaterial to the financial statements and incidental to our mission, we do not provide a statement of custodial activity. Custodial collections totaled $650 for the year ended Sept. 30, 2025. The funds collected during FY 2025 were transferred to the Department of the Treasury at the end of FY 2025.

NOTE 14

Reconciliation of net cost to net outlays

This note explains the relationship between our net outlays on a budgetary basis and the net cost of operations during the reporting period. It is a reconciliation between budgetary and financial accounting information.

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash. Because financial accounting is intended to provide a picture of the government's financial operations and financial position, it presents information on an accrual basis. The accrual basis includes information about costs arising from consuming assets and incurring liabilities. The analyses in the table below illustrate this reconciliation by listing the key differences between net cost and net outlays.

For the year ended Sept 30, 2025

Reconciling items	Intragovernmental	With the public	Total
Net cost of operations	**$29,164,438**	**$(18,962,971)**	**$10,201,467**
Components of net operating cost that are not part of budgetary outlays			
Property, equipment, and software depreciation expense	0	(644,883)	(644,883)
Increase/(decrease) in assets			
Accounts receivable	(819)	(7,303)	(8,122)
Advances and prepayments	55,873	(48,475)	7,398
Investments	418,971	0	418,971
(Increase)/decrease in liabilities not affecting budgetary outlays			
Accounts payable	77,768	(59,166)	18,602
Federal employee payroll and benefits payable	0	(420,708)	(420,708)
Actuarial workers' compensation	0	88,332	88,332
Advances from others and deferred revenue	0	(3,536,218)	(3,536,218)
Employer contributions and payroll taxes payable	(52,988)	1,510	(51,478)
Other financing sources			
Imputed federal employee retirement benefit cost	(7,075,749)	0	(7,075,749)
Imputed rent	(4,150,000)	0	(4,150,000)
Total components of net operating cost that are not part of budgetary outlays	**$(10,726,944)**	**$(4,626,911)**	**$(15,353,855)**
Components of budgetary outlays that are not part of net operating cost			
Acquisition of capital assets	$0	$1,071,263	$1,071,263
Total components of budgetary outlays that are not part of net operating cost	**$0**	**$1,071,263**	**$1,071,263**
Other reconciling items			
Distributed offsetting receipts	$0	$(650)	$(650)
Custodial/non-exchange revenue	(19)	0	(19)
Nonentity activity	650	0	650
Total other reconciling items	**$631**	**$(650)**	**$(19)**
Net outlays (calculated total)	**$18,438,125**	**$(22,519,269)**	**$(4,081,144)**
Related amounts on the statement of budgetary resources			
Outlays, net			**$(4,081,144)**


A.O.Smith
HARVESTORE
System
New Holland

Other Information

This section includes the following additional reporting required by the Office of Management and Budget:

- A summary of our financial statement audit and management assurances
- Our actions to address Payment Integrity Information Act requirements
- An update on our annual adjustment on civil monetary penalties
- A summary of the management challenges identified by our inspector general, which includes a description of each challenge along with an assessment of the agency’s actions to address those challenges
- Our response to the inspector general’s assessment

Summary of Financial Statement Audit and Management Assurances

FCA has no reported material weakness, and we are in conformance with the Federal Managers' Financial Integrity Act (FMFIA).

TABLE 5

Summary of financial statement audit

Audit opinion: Unmodified
Restatement: No

Material weaknesses	Beginning balance	New	Resolved	Consolidated	Ending balance
Total material weaknesses	0	0	0	0	0

TABLE 6

Summary of management assurances

Effectiveness of internal control over financial reporting (FMFIA § 2)

Statement of assurance: Unmodified

Material weaknesses	Beginning balance	New	Resolved	Consolidated	Reassessed	Ending balance
Total material weaknesses	0	0	0	0	0	0

Effectiveness of internal control over operations (FMFIA § 2)

Statement of assurance: Unmodified

Material weaknesses	Beginning balance	New	Resolved	Consolidated	Reassessed	Ending balance
Total material weaknesses	0	0	0	0	0	0

Conformance with federal financial management system requirements (FMFIA § 4)

Statement of assurance: Federal systems conform

Nonconformances	Beginning balance	New	Resolved	Consolidated	Reassessed	Ending balance
Total nonconformance	0	0	0	0	0	0

Compliance with Federal Financial Management Improvement Act (§ 803[a])

We are not required to report under this act.

Payment Integrity Information Act Reporting

The Payment Integrity Information Act of 2019 requires agencies to report annual improper payment estimates for OMB-designated high-priority programs and programs that are susceptible to significant improper payments. FCA does not have any programs that were designated by OMB as high priority, and as a small agency, we do not have any individual programs with annual outlays greater than $10 million.

In accordance with legislative requirements and OMB guidance, we conduct risk assessments every three years to identify programs that may have a significant risk of improper payments. We perform our assessments on contract payments, claims and vouchers, purchase cards, travel cards, and payroll. Based on our last risk assessment for the period ended Sept. 30, 2023, we determined that our programs and activities remain low risk and are not susceptible to significant improper payments. We will complete the next assessment in FY 2027 for the period ended Sept. 30, 2026.

Given the size of our agency and our low-risk status for improper payments, recovery audits are not cost effective. The benefits of any recovered amounts would not exceed the cost of a recovery audit program. We work with our service provider to collect any identified overpayments, and we continue to use the tools available to prevent and reduce improper payments.

Each executive branch agency must complete the annual data call issued by OMB to provide information related to its respective payment integrity actions. The resulting data on improper payments across federal programs can be found on **PaymentAccuracy gov**. We present only summary level information on this website because we do not have any individual programs with annual outlays greater than $10 million.

On Feb. 14, 2025, our inspector general published the Office of Inspector General annual report on FCA's compliance with reporting requirements for improper payments. The report concluded that we were in compliance, and there were no recommendations.

Civil Monetary Penalty Adjustment for Inflation

Under the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, agencies must make annual inflation adjustments to civil monetary penalties and report on these adjustments. Table 7 shows the adjustments FCA has made this year.

TABLE 7

Annual inflation adjustments of civil monetary penalties

Statutory authority	Reason for penalty	Year enacted	Latest year of adjustment (via statute or regulation)	Current penalty (dollar amount)	Location for penalty update details
Section 5.32(a) of the Farm Credit Act of 1971, as amended	Violation of a final order	1985	2025	$2,904	90 FR 3617-3618
Section 5.32(a) of the Farm Credit Act of 1971, as amended	Violation of the act or regulation	1985	2025	$1,313	90 FR 3617-3618
Section 102(f) of the Flood Disaster Protection Act of 1973	Pattern or practice of committing violations of the National Flood Insurance Program	1994	2025	$2,730	90 FR 3617-3618


MANAGEMENT CHALLENGES
12
FCA OIG
Farm Credit Administration
Office of Inspector General
November 2025

INTRODUCTION

The Reports Consolidation Act of 2000 requires the Inspector General to provide a summary perspective on the most serious management and performance challenges facing the Farm Credit Administration (FCA or Agency) and briefly assess the Agency's progress in addressing those challenges. In accordance with this Act, we are reporting what we have determined to be the most significant management and performance challenges facing FCA. These challenges reflect ongoing vulnerabilities identified by the Office of Inspector General (OIG) over recent years as well as new and emerging issues.

Ensuring Effective Human Capital Management

Adapting to Changes in Information Technology

Regulating and Supervising a Complex Farm Credit System

Planning for Artificial Intelligence

EMERGING CHALLENGE: FCA Board Operating Without a Quorum

FCA is a federal agency tasked with regulating and supervising the Farm Credit System (System). The System is the nation's oldest government-sponsored enterprise, consisting of a nationwide network of cooperative banks and associations, and a secondary market entity known as the Federal Agricultural Mortgage Corporation (Farmer Mac). The System's borrower-owned banks and associations provide credit to farmers, ranchers, residents of rural communities, agricultural and rural utility cooperatives, and other eligible and creditworthy borrowers. Farmer Mac provides a secondary market for agricultural real estate loans, rural housing mortgage loans, and certain rural utility loans. The Agency ensures that all institutions within the System are safe, sound, and reliable sources of credit and related services for creditworthy and eligible individuals in agriculture and rural America. To promote safety and soundness in the System, FCA conducts examination and supervision activities, develops regulations and policies, and monitors risks and System conditions.

MANAGEMENT CHALLENGES

CHALLENGE ONE: *Ensuring Effective Human Capital Management*

Ensuring Effective Human Capital Management

The most significant challenge for FCA is effectively managing human capital in the context of a rapidly changing federal workforce.[1] FCA is a small agency, currently staffed by about 315 personnel. During the last fiscal year, through the Deferred Resignation Program[2] and various other forms of separation, including normal attrition through resignations, transfers, and retirements, the Agency lost approximately 10 percent of its employees. Like other small federal agencies, this reduction, along with its small footprint and new government-wide hiring guidance,[3] complicates efforts to staff appropriately and effectively fulfill the Agency's mission. Adding to the challenge, about 20 percent of the agency is eligible for retirement between now and 2030. Succession planning has been consistently identified as one of the highest risks facing the Agency, by both the Agency and the OIG in our reporting.

FCA's success will depend greatly on its capacity to:

- Manage the current staffing levels and analyze future staffing needs,
- Consider the various disciplines and skillsets needed in its workforce, and
- Meet those needs through future recruitment and retention.

One of the primary ways this challenge arises is through staffing fluctuations within the mission-critical examination program. To ensure safety and soundness, FCA's examination staff plan, organize, and conduct examinations of System institutions. For an examiner to receive a commission at FCA, examination staff must pass a rigorous four-year training program. In addition, FCA utilizes an internship program as a recruitment pipeline to the commissioning program. Losing examination staff in various stages of the examiner commissioning program places an additional challenge on the Agency to fill gaps in recruiting and training cycles. This is especially difficult when the Agency loses a commissioned examiner that it trained and developed over four years to perform the examinations or there is a break in the cycle for new talent. Safety and soundness examinations are especially important given the complexity of the System and potential interest rate, credit, and other risks.

The Agency continues to address this management challenge. In addition to the competitive compensation and benefit programs, FCA initiated working groups and projects related to issues facing the Agency and undertook efforts to address the lack of succession planning. The Agency also uses rotational assignments and details to encourage development and leadership experiences in addition to temporarily filling open positions. The Agency also completed important actions on key position and personnel dependencies in response to our February 20, 2024 Inspection Report, *The Identification and Mitigation*

[1] The federal government recently implemented major changes aimed at reducing workforce size, highlighted by the President's "Department of Government Efficiency" Workforce Optimization Initiative. Executive Order 14210, *Implementing the President's "Department of Government Efficiency" Workforce Optimization Initiative* (February 11, 2025).

[2] Offered through the Office of Personnel Management in January 2025, the Deferred Resignation Program allowed federal employees to voluntarily resign and retain pay and benefits through September 30, 2025.

[3] On January 20, 2025, the White House issued a Presidential Memorandum implementing a federal hiring freeze, which was subsequently extended before issuance of new federal hiring guidance on October 15, 2025. Executive Order 14356, *Ensuring Continued Accountability in Federal Hiring* (October 15, 2025).

Efforts for Key Position and Personnel Dependencies at the Farm Credit Administration, including developing a succession planning framework, providing guidance to FCA leadership, and conducting a workforce analysis to identify key risk areas.

In the absence of a hiring freeze, FCA appears well-positioned to compete effectively in the labor market. However, there are still significant areas to address in the realm of human capital management. The Agency must adopt a strategic and holistic approach to meet its future staffing needs. As discussed in subsequent sections of this report, FCA has prioritized innovation in recent years. This focus, combined with the rapid advancement of new technologies and plans for office restructuring and redevelopment, presents a unique opportunity for FCA to redefine its human capital strategies.

FCA OIG issued prior reports relating to human capital management and will continue to address this challenge through our oversight mission. These reports include:

- *Farm Credit Administration's Employee Separation Process* (February 9, 2021), and
- *Human Capital Planning at the Farm Credit Administration* (February 29, 2016).

CHALLENGE TWO: *Adapting to Changes in Information Technology*

FCA is navigating a complex landscape where the demand for new technology and innovation must be balanced with the imperative of a strong and strategic information security program. As cybersecurity threats evolve, the Agency faces the crucial task of implementing a security framework that is both prepared for and adaptable to these ongoing challenges.

Adapting to Changes in Information Technology

Cyber incidents can cause tremendous harm to national security, agencies, and the American people. Security threats, events, and breaches across the world highlight the prevalence of cybersecurity risks and the importance of robust detection, response, and prevention processes. Cyber-attacks continue to evolve in complexity with rapid technological advancements. The tactics and techniques of adversaries increasingly use tools that are harder to detect, and the use of external providers can increase visibility challenges.

FCA depends heavily on information technology systems for its operations. The Agency will continue to be challenged to meet all the requirements and strategies for a strong information technology security program as more resources and approaches may be necessary to address emerging threats. This is not a challenge unique to FCA. To address this challenge, FCA's information security program needs to be able to pivot quickly in certain scenarios to adapt to changing threats and requirements. Continuous investment in training and hiring staff with the necessary expertise is essential as new technologies evolve. As a small agency with limited resources and budget constraints, FCA regularly grapples with the challenges of maintaining an agile workforce. This workforce must be capable of adapting internal processes, policies, procedures, and technologies efficiently while aligning with other mission-critical priorities of the Agency.

FCA OIG performs an annual review of FCA's information security program and practices, as required under the Federal Information Security Modernization Act of 2014 (FISMA), to assess their effectiveness and the Agency's progress toward achieving outcomes that strengthen federal cybersecurity. In our most recent evaluation, FCA's information security program received an overall rating of *effective* (Level 4:

Managed and Measurable).[4] During that review, OIG found the information security program included updated policies and procedures, risk management tools and practices, and vulnerability and security control assessments. The Agency also made progress in implementing recommendations resulting from previous FISMA reviews, but challenges remain to keep the information security program at an effective level. Three domains were rated below an effective level: risk and asset management, incident response, and cybersecurity governance, a new domain for the Fiscal Year 2025 FISMA metrics.

Overall, it is imperative that FCA's systems and internal processes adapt quickly to keep pace with rapidly changing cyber threats. FCA continues to plan for resources and adopt new technologies that could enhance its ability to improve the everchanging information security program. Looking forward, the Agency needs to ensure there is a strategy to advance the program into a more agile, responsive model.

CHALLENGE THREE: *Regulating and Supervising a Complex Farm Credit System*

Regulating and Supervising a Complex Farm Credit System

At the core of FCA's mission is its responsibility to ensure System institutions are safe, sound, and dependable sources of credit and related services. With a total loan volume of about $430 billion supporting over 600,000 farmers, ranchers, and other agricultural investments, risks across the System continue to become more complex and sophisticated.

FCA mitigates risks within the System through multiple tools, primarily relying on its examination program as the key oversight instrument. Risk-based examination activities are designed to ensure System institutions operate safely and soundly in accordance with federal regulations. The current resource-constrained environment challenges FCA to identify System and institution-specific risks more efficiently.

Improvements to risk assessment, scoping, and resource allocation will require new ways of thinking and high-quality data to inform decisions. As the Agency is required to do more with less, it will need to evaluate and implement technologies, people, and systems that make business processes more efficient without compromising the quality of oversight activities.

In addition to risk identification and resource optimization, regulating and supervising a complex System requires technical and competitive skillsets. The System is rapidly evolving with new technologies and structures. In addition, agricultural lending is impacted by volatile and unpredictable economic factors such as trade, labor, interest rates, inflation, and land values. To understand and oversee System institutions, Agency personnel will require unique and growing expertise in capital markets, information technology, credit, and data analytics. What was once considered specialized knowledge is becoming a more foundational element in understanding the advanced analytical tools and products utilized across the System. FCA will need to identify and build the most critical skillsets to address the most significant

[4] According to the *FY 2025 Inspector General Federal Information Security Modernization Act of 2014 Reporting Metrics*, the effectiveness of an information security program is determined based on the ratings earned on a maturity model spectrum. The FISMA maturity model summarizes the status of agencies' information security programs on a five-level scale (Level 1 to Level 5). A Level 4 or above means the information security program is operating at an effective level of security. Generally, a Level 4 maturity level is defined as formalized, documented, and consistently implemented policies, procedures, and strategies with performance measures on the effectiveness of policies, procedures, and strategies collected across the organization and assessed to make necessary changes.

System risks and retain personnel with in-demand specialties to build a qualified pipeline, grow institutional knowledge, and support effective regulatory and supervisory activities.

Another key aspect of safety and soundness is mitigating challenging scenarios. In a complex, evolving financial system it becomes more difficult for the Agency to ensure it is positioned with the appropriate resources to foresee, plan for, and respond to scenarios that could impact safety and soundness. Proactive assessments and readiness evaluations will ensure FCA can respond to challenging scenarios, should one arise. As part of this process, the Agency will also need to ensure it can maintain robust and effective oversight activities while preparing for potentially difficult or unexpected scenarios.

The Agency continues to take steps to enhance its oversight capabilities, including developed teams and working groups to discuss examination resources and solutions to staffing needs. To better examine and regulate the System in accordance with established priorities, FCA assesses new specializations, training, and scoping approaches, as well as enhancements to available automation and data analytics.

The Office of Examination establishes a National Oversight Plan that identifies areas that will be emphasized when examining and overseeing System institutions. The Office of Examination's *National Oversight Plan for Fiscal Year 2026* includes four focus areas:

1. Serving agriculture in volatile times,
2. Operating resilience,
3. Public mission and Young, Beginning, and Small farmer and rancher programs, and
4. System loan data reporting.

Similarly, the Office of Secondary Market Oversight also produces an annual oversight and examination plan. While the 2026 plan is under review, the FCA Board approved the 2025 plan in November 2024.

FCA OIG has issued various reports focused on the Agency's oversight of the System, including:

- *Farm Credit Administration's Process for Merger Activities in the Farm Credit System* (September 28, 2023),
- *Farm Credit Administration's Examiner Staffing Program* (January 30, 2023),
- *The Office of Secondary Market Oversight's Examination Policies and Procedures* (September 24, 2021),
- *Farm Credit Administration's Criminal Referral Process* (March 12, 2020),
- *Farm Credit Administration's Office of Examination Structure and Organization Benchmarking Evaluation* (March 20, 2019), and
- *The Farm Credit Administration's Oversight of Young, Beginning, and Small Farmer Programs* (June 1, 2016).

CHALLENGE FOUR: *Planning for Artificial Intelligence*

Planning for Artificial Intelligence

One of the most significant drivers of change and risk is the emergence and adoption of artificial intelligence (AI) across the financial sector. While the use of AI could increase the efficiency and effectives of Agency operations, both the inherent risk associated with AI and its complicated regulatory history pose challenges for FCA.

In July 2025, the White House released *Winning the Race: America's AI Action Plan,* which emphasizes that AI can enable the federal government to serve the public with greater efficiency and effectiveness. The plan references potential benefits that include:

- Automation of repetitive tasks,
- Streamlined administrative processes,
- Tailored services for diverse constituencies, and
- Enhanced analysis of large datasets.

However, while AI could increase efficiency, it also poses a challenge to the Agency as it will have to ensure any changes do not dilute its high standards as a financial regulator. Additionally, implementation of AI technologies also carries unique risks that require proactive governance and well-defined internal controls to safeguard objectivity, accuracy, and compliance with statutory requirements. Certain examples of risks and potential control considerations are outlined below:

AI Risks	Potential Control Consideration
Inequitable Outputs	Regular testing of algorithms to identify and correct discriminatory patterns or biases
Inappropriate Release of Sensitive Information	Procedures to prevent unauthorized access, misuse, or exposure of sensitive information
Loss of Transparency	Procedures for ensuring AI outputs and algorithms can be explained
Inability to Detect Errors in Outputs	Maintaining human review for all high-impact decisions

Planning for the use of AI is further complicated by the evolving regulatory landscape. Just within the past two years, there have been numerous laws, executive orders, and other guidance governing the use and adoption of AI in the federal government that have been issued, rescinded, and replaced. This makes it difficult for the Agency to understand the allowable boundaries and requirements of implementation, maintenance, and reporting on AI.

Since its issuance of a January 2024 innovation philosophy statement that outlines the Agency's position on innovation in the System and the Agency, FCA continues to make strides in its phased approach to AI adoption. Through the Agency's Data Advisory Group, FCA's Office of Data Analytics and Economics and Office of Information Technology (OIT) are collaborating to evaluate use cases for AI and innovative solutions at the Agency. Additionally, in August 2025, FCA announced the FCA Labs initiative, which will help in understanding the needs of the Agency while also proposing solutions. Most recently, in September 2025, OIT announced a multiphase pilot to explore and evaluate how generative AI could support productivity, creativity, and efficiency across the Agency. This pilot includes staff from each office partnering with OIT to identify use cases and test how a generative AI chatbot could improve how they work. While these are important steps, FCA will continue to be challenged to plan, design, and implement strategies for the use of AI.

As the use of AI advances within FCA and the System, OIG will explore future projects addressing the implementation, application, and controls governing these technologies.

EMERGING CHALLENGE: *FCA Board Operating Without a Quorum*

EMERGING CHALLENGE: FCA Board Operating Without a Quorum

While not currently impeding FCA programs and operations, one emerging challenge facing the Agency is losing a quorum of FCA Board members. The Farm Credit Act of 1971, as amended (Act), vests responsibility for managing the Agency in the full-time, three-member FCA Board. Board members are presidentially appointed and Senate-confirmed, and must be U.S. citizens and broadly representative of the public interest. Board members serve six-year terms, which are staggered and fixed so that a term expires every two years regardless of when the member was appointed. The Act provides for board members to continue serving after expiration of their term until a successor is appointed and confirmed.

The FCA Board has operated as a two-member body since the departure of Board Member Vincent G. Logan in March 2025. This situation is not unprecedented: Board Chairman Jeffery S. Hall and Board Member Glen R. Smith previously served without a third member for more than three years, from May 2019 to October 2022. With a two-member Board, the Agency faces the heightened prospect of a board member departing and leaving the Agency with a single board member. If this were to happen, the Board would lack a quorum and consequently would be unable to establish general policy or promulgate rules and regulations, leaving the Agency less able to carry out its statutory mission. That possibility is more likely now that the President nominated Board Member Smith to serve in another Senate-confirmed position at the U.S. Department of Agriculture. The Agency, however, has a policy enabling the delegation of specific Board powers to a single remaining member and is proactively addressing the potential impacts of this situation by implementing measures designed to mitigate its effects.[5]

[5] FCA Board Policy Statement 64, *Rules for the Transaction of Business of the Farm Credit Administration Board* (Amended Feb. 12, 2025).

Management's Response to Challenges Identified by FCA's Inspector General

Farm Credit Administration

1501 Farm Credit Drive
McLean, VA 22102-5090
(703) 883-4000

November 7, 2025

Dear Mr. Ravas:

Thank you for sharing the management challenges report with the Farm Credit Administration on Oct. 25. We appreciate your office's assessment and perspective of the management challenges facing FCA. We are committed to our mission of ensuring that Farm Credit System institutions and Farmer Mac are safe, sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America. In response to your analysis of the challenges facing FCA, I offer the following feedback.

Challenge 1: Ensuring effective human capital management

Effective and strategic human capital management remains a top priority for FCA. While we experienced higher than normal attrition due to the Deferred Resignation Program, our commitment to attracting and retaining a highly qualified workforce remains steadfast. In partnership with the Office of Personnel Management (OPM), we implemented the governmentwide Merit Hiring Plan. We also developed a strategic recruitment plan to further align our workforce strategies with the agency's mission and strategic objectives. As of Sept. 30, 12.8% of FCA's workforce is eligible for retirement, a significant decline from the 21.8% peak in 2020. This reduction presents an opportunity to further strengthen our workforce by ensuring we have the right mix of skills and talent to support current and future mission success.

Our human capital strategy emphasizes both internal and external hiring. Through our internal mobility efforts, we have successfully promoted employees into key roles essential to mission readiness. Externally, we continue to collaborate with OPM to secure hiring freeze exemptions for mission-critical positions. For entry-level hiring, we maintain strong relationships with staff at land-grant universities across the country.

Office of Examination (OE) hiring in the coming year will primarily focus on midcareer specialists in the areas of information technology and finance. Successfully hiring midcareer staff in these critical areas, while moving entry-level staff through our multiyear commissioning program, allows us to ensure we have a steady pipeline of both early-career and midcareer talent. Examination staff trained through our internal commissioning process contribute significantly to the examination process throughout their first four years with the agency and remain a key component of future staffing resources.

Currently, we enhance and support staff skills in various ways:

- Internal mobility opportunities, such as rotational assignments, to help prepare FCA's next generation of leaders
- Formal training events, such as those sponsored by the Federal Financial Institutions Examination Council, which prescribes uniform principles and standards for the federal examination of financial institutions
- Other external and internal trainings, as well as brown bag sessions with subject-matter experts

To better understand future OE staffing needs, we plan to conduct a workforce study to help identify the various disciplines and skillsets required for the OE workforce.

Challenge 2: Adapting to changes in information technology

Over the past few years, our IT security program has consistently earned effective ratings from the inspector general during the annual Federal Information Security Modernization Act reviews. We have continuously improved and matured the program by increasing awareness, instilling better cyber hygiene practices, and implementing additional technical controls.

Cybersecurity threats and technology-driven risks remain a perennial challenge facing the private and public sectors. Fortunately, just as the agricultural and Farm Credit System landscapes are becoming more complex, the tools available to mitigate risks are becoming more sophisticated. We continue to invest in these tools to monitor and mitigate risk. We also continue to make decisions on the basis of risk so that we can deploy our resources effectively and efficiently.

Over the past year, we continued our participation in the mandated Cybersecurity and Infrastructure Security Agency's Continuous Diagnostic and Mitigation Program, further strengthened our monitoring technologies, and made several other security enhancements. Going forward, we are researching and investing in the necessary tools to facilitate timely changes in policies, procedures, and controls that will enable us to capitalize on new technologies securely while mitigating risk.

We fully recognize the need to harness IT resources to further the mission of the agency. Strong collaboration and coordination between the Office of Information Technology and other FCA offices, particularly OE and the Office of Data Analytics and Economics, will allow us to balance the need for updated technologies with the protection of agency information. We must all work together to identify and apply new tools and match technology solutions to our business needs.

Challenge 3: Regulating and supervising a complex Farm Credit System

FCA acknowledges the growing complexity and sophistication of the Farm Credit System. We continue to assess our capacities, resources, and skills to identify gaps and opportunities to strengthen our ability to regulate and supervise the System.

In FY 2025, we acted on many fronts to address the ever-increasing complexity and sophistication of the System. For example, OE completed an analysis and report to consider organizational structure and examination process changes needed to meet these challenges. The report and related recommendations were presented to OE and FCA senior management; OE is currently implementing some of the recommendations. FCA also continued to develop and introduce new analytical tools, and we are exploring the use of artificial intelligence (AI). Further, OE and the Office of Secondary Market Oversight included detailed risk assessments in their oversight plans. The Office of Secondary Market Oversight updated its examination manual guidance recently, and OE updated examination manual guidance on collateral risk management and risk-based examinations. The Office of Regulatory Policy has several proposed and final rulemakings planned for FY 2026.

Maintaining and developing staff expertise remains critical to meeting the challenge of examining more complex and sophisticated institutions. We continued our strategy of hiring needed technical expertise; early in FY 2025, we hired several midcareer technical experts with skills in credit, finance, and accounting. More hires are planned for FY 2026. We also continued to provide training to examiners and other staff in critical areas like data analytics, credit, and advanced governance.

As outlined in our FY 2026 national oversight plan, we are focusing examination efforts on four areas:

- **Serving agriculture in volatile times** This requires timely and accurate risk identification, proactive loan servicing, and strong portfolio management.
- **Operational resilience** We will continue our efforts related to System cybersecurity and adoption of AI.
- **Public mission** Our examinations will stress the importance of the System's public mission, ensuring that institutions fulfill their responsibility to serve all creditworthy borrowers and rural America in good times and bad.
- **Loan data reporting** This focus area will support our efforts to further improve data analytics, and we will share key findings from our examination activities with System institutions as appropriate.

Over the past year, I have had frequent and ongoing communications with System representatives, from both boards and senior management. This gave me the opportunity to learn about System challenges and how the System is responding. I've also closely monitored System consolidation to ensure that risk is being appropriately managed and cooperative principles upheld. These efforts will continue to strengthen FCA's ability to respond to challenges proactively and appropriately.

Challenge 4: Planning for artificial intelligence

FCA is committed to ensuring that the agency's use of AI is designed, deployed, and used responsibly to advance our mission. While the regulatory landscape continues to evolve, we are using a strategic approach to facilitate AI capabilities responsibly by tailoring our speed of innovation with right-sized risk-based decisions.

As you noted in your management challenges report, FCA has implemented a collaborative approach to AI. We're using general-purpose chatbots and highly specialized models to take maximum advantage of productivity-enhancing tools while segregating and mitigating risk.

Our general-purpose chatbot, currently in pilot, will enable staff to use generative AI technologies to help with routine and support tasks, such as researching regulatory issues, summarizing meetings and documentation, and composing documents.

FCA recognizes both the promise and risks associated with AI technologies and the need for appropriate internal controls. Our approach to AI implementation will balance these controls with opportunities to increase staff efficiency. The core of FCA's strategy of implementing AI in a safe and sound manner is balancing any additional risks with the added value for our staff. We understand the implementation and governance risks, but we also recognize the obsolescence risks of not adopting new technologies. These risks apply not only to our internal operations but also to our ability to properly examine and regulate financial institutions that rapidly adopt these technologies.

Concluding thoughts

Thank you again for your insights. Overcoming these challenges requires thoughtful strategies, stakeholder collaboration, and knowledge sharing.

I am honored to be a member of the talented group of public servants at FCA who work to ensure that the Farm Credit System will be there to meet the credit needs of future generations of American farmers, ranchers, and rural communities. We look forward to working with you and your staff in the coming year.

Sincerely,

Jeffery S. Hall
Board Chairman and CEO
Farm Credit Administration

Awards and Recognition

For our FY 2024 report, FCA received the prestigious Certificate of Excellence in Accountability Reporting (CEAR). This award is given to agencies that demonstrate excellence in accountability and transparency through their financial and performance reports.

The Chief Financial Officers Council and OMB collaboratively established the CEAR program to improve accountability by streamlining reporting and improving the effectiveness of federal agencies' reports to clearly show both accomplishments and remaining challenges.

Additional Information

Many FCA employees have close connections to agriculture. The photos that appear throughout this report were taken on the family farms and ranches of several FCA employees. Special thanks to the following employees for sharing their photos: Jessica Potter, senior policy analyst; Susan Graves, associate FCA examiner; Mike Duffy, chief examiner; Mary Peterman, chief financial officer; Cindi Burke, FCA examiner; Lee Thomas, supervisory contracting officer; and Rebecca Kaiser, senior economist.

This report is available on the **Farm Credit Administration**'s website at www.fca.gov/about/reports-publications.

To request print copies of this report or earlier editions, please contact the Office of Congressional and Public Affairs at the email address or mailing address provided below. You may also call 703-883-4056 to request a copy.

We would like to hear from you! What did you think of our FY 2025 Performance and Accountability Report? Did we present information in a way you could use? How can we improve our report in the future? Any feedback you have time to provide would be most appreciated. Please email your comments to info-line@fca.gov.

Or send written comments to the following address:

Office of Congressional and Public Affairs
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Thank you!

The **Federal Agricultural Mortgage Corporation**'s Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, is available from Farmer Mac's website at www.farmermac.com/investors/financial-information/. For further information, contact Farmer Mac's corporate headquarters:

Federal Agricultural Mortgage Corporation
2100 Pennsylvania Avenue, NW
Washington, DC 20037
Telephone: 202-872-7700

With support from the Farm Credit System banks, the **Federal Farm Credit Banks Funding Corporation** prepares the financial press releases, the System's Annual and Quarterly Information Statements, and the System's combined financial statements. These documents are available on the Funding Corporation's website at www.farmcreditfunding.com.

The **Farm Credit System Insurance Corporation**'s annual report is available on its website at www.fcsic.gov.

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