§ 652.100 Audit of the risk-based capital stress test.

You must have a qualified, independent external auditor review your implementation of the risk-based capital stress test every 3 years and submit a copy of the auditor’s opinion to us.

APPENDIX A TO SUBPART B OF PART 652—RISK-BASED CAPITAL STRESS TEST

1.0 Introduction

a. Appendix A provides details about the risk-based capital stress test (stress test) for Farmer Mac. The stress test calculates the risk-based capital level required by statute under stipulated conditions of credit risk and interest rate risk. The stress test uses loan-level data from Farmer Mac’s agricultural mortgage portfolio or proxy data as described in section 4.1.d.(3) below, as well as quarterly Call Report and related information to generate pro forma financial statements and calculate a risk-based capital requirement. The stress test also uses historic agricultural real estate mortgage performance data, rural utility guarantee fees, relevant economic variables, and other inputs in its calculations of Farmer Mac’s capital needs over a 10-year period.

b. Appendix A establishes the requirements for all components of the stress test. The key components of the stress test are: Specifications of credit risk, interest rate risk, the cashflow generator, and the capital calculation. Linkages among the components ensure that the measures of credit and interest rate risk pass into the cashflow generator. The linkages also transfer cashflows through the financial statements to represent values of assets, liabilities, and equity capital. The 10-year projection is designed to reflect a steady state in the scope and composition of Farmer Mac’s assets.

2.0 Credit Risk

2.1 Loss-Frequency and Loss-Severity Models for All Types of Loans, Except Rural Utility Loans

2.2 Loan-Seasoning Adjustment for All Types of Loans, Except Rural Utility Loans

2.3 Example Calculation of Dollar Loss on One Loan for All Types of Loans, Except Rural Utility Loans

2.4 Treatment of Loans Backed by an Obligation of the Counterparty and Loans for Which Pledged Loan Collateral Volume Exceeds Farmer Mac-Guaranteed Volume

2.5 Calculation of Loss Rates for Use in the Stress Test for All Types of Loans, Except Rural Utility Loans

2.6 Calculation of Loss Rates on Rural Utility Volume for Use in the Stress Test

2.7 Calculation of Loss Rates for Use in the Stress Test

2.8 Loss-Frequency and Loss-Severity Models for All Types of Loans, Except Rural Utility Loans

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3.0 Interest Rate Risk

3.1 Process for Calculating the Interest Rate Movement

3.2 Elements Used in Generating Cashflows

3.3 Data Inputs

3.4 Assumptions and Relationships

3.5 Risk Measures

3.6 Loan and Cashflow Accounts

3.7 Income Statements

3.8 Balance Sheets

3.9 Capital

3.10 Capital Calculations

3.11 Method of Calculation

4.0 Elements Used in Generating Cashflows

4.1 Data Inputs

4.2 Assumptions and Relationships

4.3 Risk Measures

4.4 Loan and Cashflow Accounts

4.5 Income Statements

4.6 Balance Sheets

4.7 Capital

4.8 Capital Calculations

4.9 Method of Calculation

5.0 Capital Calculations

5.1 Method of Calculation