

**§ 652.90 How to report your risk-based capital determination.**

(a) Your risk-based capital report must contain at least the following information:

(1) All data integral for determining the risk-based capital level, including any business policy decisions or other assumptions made in implementing the risk-based capital test;

(2) Other information necessary to determine compliance with the procedures for determining risk-based capital as specified in appendix A to this subpart; and

(3) Any other information we may require in written instructions to you.

(b) You must submit each risk-based capital report in such format or medium, as we require.

**§ 652.95 Failure to meet capital requirements.**

(a) *Determination and notice.* At any time, we may determine that you are not meeting your risk-based capital level calculated according to § 652.65, your minimum capital requirements specified in section 8.33 of the Act, or your critical capital requirements specified in section 8.34 of the Act. We will notify you in writing of this fact and the date by which you should be in compliance (if applicable).

(b) *Submission of capital restoration plan.* Our determination that you are not meeting your required capital levels may require you to develop and submit to us, within a specified time period, an acceptable plan to reach the appropriate capital level(s) by the date required.

**§ 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

## 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.

## 3.0 Interest Rate Risk.

## 3.1 Process for Calculating the Interest Rate Movement.

## 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.

## 5.0 Capital Calculations.

## 5.1 Method of Calculation.

## 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.