

MEMORANDUM



February 12, 2025

To: Chairman, Board of Directors
Chief Executive Officer
Each Farm Credit System Institution

From: Glen Smith
Chairman

Subject: Board Approves Premium Accrual Rates for 2025

The Farm Credit System Insurance Corporation (Corporation or FCSIC) Board has approved an insurance premium assessment accrual rate on adjusted insured debt of 10 basis points for 2025, the same premium rate as in 2024. The Board also approved continuing the assessment of 10 basis points on nonaccrual loans and other-than-temporarily impaired investments.

The Federal Farm Credit Banks Funding Corporation reports that outstanding insured debt obligations increased by 7.7 percent (\$32.2 billion) from \$415.7 billion at year-end 2023 to \$447.9 billion at year-end 2024. Based on results at December 31, 2024, the Insurance Fund was 2.02 percent of adjusted insured debt, or \$81.9 million above the 2.0 percent secure base amount (SBA). FCSIC is required, after deducting its operating expenses, to transfer funds in excess of the SBA to Allocated Insurance Reserve Accounts (AIRAs) established for each System bank. Consequently, we transferred approximately \$76.6 million to those accounts at December 31, 2024.

The Board's objective is to achieve and maintain the statutory secure base amount of 2 percent in the Insurance Fund. In setting a premium rate, the Board's review focuses on the current level of the Insurance Fund and the amount of money and time needed to reach the secure base amount based on expected growth in Systemwide insured obligations. The review also examines the risk that the Insurance Fund will need to be used in the next 12 months, and includes analyzing the condition of the System, the health of the agricultural economy, and risks in the financial environment.

Over the past five years, insured debt has grown an average of about 9 percent annually. Assuming continued growth for 2025 of 9 percent and FCSIC investment earnings of about \$304 million (equivalent to about 7 basis points of premiums), a premium rate of 10 basis points on adjusted insured obligations will allow the Insurance Fund to cover the anticipated growth in 2025 and end the year above the secure base amount.

The Board will meet in July 2025 to review growth in insured obligations and premium rates. If the Insurance Fund is substantially higher or lower than the SBA, or if there is a significant change in projected growth, premium rates may be adjusted.

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Please contact Andrew Grimaldi, FCSIC's Chief Financial Officer, at 703-883-4383 or grimaldia@fcsic.gov, if you have any questions.

Attachment A: Trend Analysis of Outstanding Insured Obligations

Attachment B: Trend of the Unallocated Insurance Fund Relative to the 2% Secure Base Amount

Final Trend Analysis of Outstanding Insured Obligations

As of December 31, 2024

Dollars in Millions

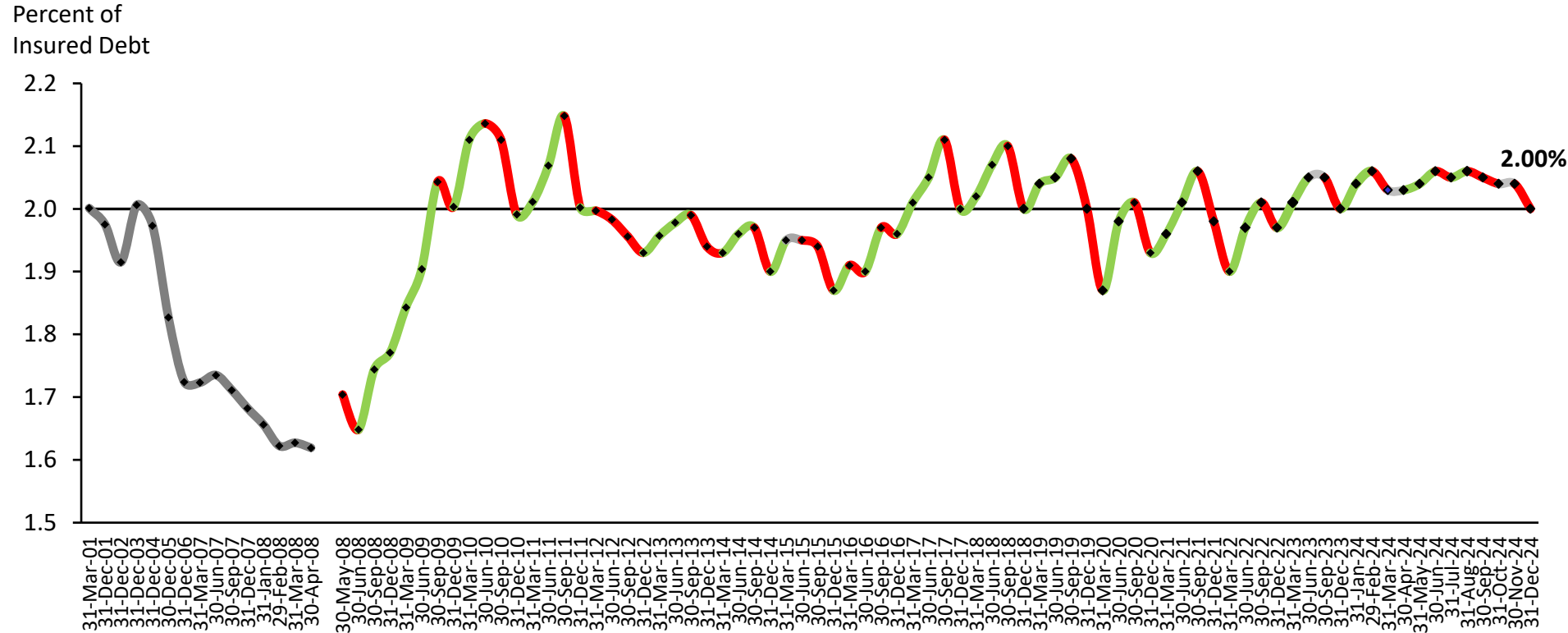
Bank	31-Dec 2024	Month to Month Change			Year to Date Change				Year to Year Change		
		30-Nov 2024	\$ Change to 31-Dec	% Change to 31-Dec	31-Dec 2023	\$ Change from 31-Dec	% Change from 31-Dec	% Change Annualized	31-Dec 2023	31-Dec 2024	12 Month Change
AgFirst	44,626.4	44,106.2	520.2	1.2%	42,683.4	1,943.0	4.6%	4.6%	42,683.4	44,626.4	4.6%
AgriBank	176,902.9	174,031.2	2,871.7	1.7%	162,372.2	14,530.7	8.9%	8.9%	162,372.2	176,902.9	8.9%
CoBank	189,194.2	184,634.9	4,559.3	2.5%	175,481.7	13,712.5	7.8%	7.8%	175,481.7	189,194.2	7.8%
Texas FCB	37,158.8	36,826.3	332.5	0.9%	35,133.3	2,025.5	5.8%	5.8%	35,133.3	37,158.8	5.8%
Total Principal on Outstanding Insured Obligations *	\$447,882.3	\$439,598.6	\$8,283.7	1.9%	\$415,670.6	\$32,211.7	7.7%	7.7%	\$415,670.6	\$447,882.3	7.7%

* Source

Quarter-end data: FCA call reports which include amortization of premiums and discounts.

Monthly and preliminary quarter-end data: Funding Corporation system debt obligations report at par value.

Final Trend of the Unallocated Insurance Fund Relative to the 2% Secure Base Amount As of December 31, 2024



- (1) A change in the secure base amount (SBA) calculation methodology requested by the Insurance Corporation was included in the Food, Conservation and Energy Act of 2008. The methodology allows the deduction of Federal and state-guaranteed investments from the SBA in a manner similar to that used for Federal and state-guaranteed loans.
- (2) At year-end, based on a statutory formula, excess funds above the SBA may be transferred to Allocated Insurance Reserve Accounts (AIRAs). The AIRAs balance is recorded as part of the Insurance Fund and is available to satisfy insurance obligations until the Insurance Corporation disburses payment to the Farm Credit Banks.