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Farmer Mac and Its Board Members

Overview

The Federal Agricultural Mortgage Corporation (Farmer Mac) is a secondary market for agricultural mortgages. It purchases loans from originating lenders and provides other risk management tools to facilitate the agricultural lending market. It was created by Congress as a privately funded government-sponsored enterprise (GSE) similar to the housing GSEs such as Fannie Mae.

Farmer Mac is governed by a 15-member board of directors, five of whom are nominated by the President and confirmed by the Senate. The Senate confirmed two board members during the Trump Administration: Charles Stones in December 2020 and LaJuana Wilcher in December 2019, the latter named as chair of the board. No nominations are pending.

Congressional oversight is provided by the House and Senate Agriculture Committees, which have primary jurisdiction for the Farmer Mac statutes.

Farmer Mac

Farmer Mac was established in the Agricultural Credit Act of 1987 (P.L. 100-233, Title VII) as a secondary market for agricultural loans. It purchases and pools qualified loans and may sell them to investors as securities or hold them in its own portfolio. It provides risk management tools to originating lenders that let them make more loans to agricultural borrowers and satisfy regulatory requirements.

Statutorily, Farmer Mac is codified in the Farm Credit Act of 1971 (12 U.S.C. § 2279aa) with the Farm Credit System (FCS; see CRS Report RS21278, *Farm Credit System*). Financially and corporately, however, Farmer Mac is a separate entity from the FCS. Each has no liability for any of the others' debt. Administratively, Farmer Mac and the FCS have the same federal regulator—the Farm Credit Administration (see CRS In Focus IF10767, *Farm Credit Administration and Its Board Members*).

Farmer Mac is an investor-owned corporation, not a member-owned cooperative like the FCS. Two classes of voting stock exist for (1) banks and insurance companies and (2) the FCS. Any investor may own nonvoting stock. As an independent entity, Farmer Mac is not supported by congressional appropriations and is not part of the U.S. Department of Agriculture (USDA).

Farmer Mac operates in four primary lines of business: farm and ranch, USDA guarantees, rural utilities, and institutional credit. In the farm and ranch business line, most activity is from Farmer Mac purchasing and retaining eligible agricultural mortgage loans. In that line of business, Farmer Mac also guarantees securities held by third parties

that are backed by eligible loans and promises to buy specific agricultural mortgages under future adverse conditions by selling “long-term standby purchase commitments” to financial institutions. The purchase commitments guarantee loans against default risk, while the originating lender retains interest rate risk and loan servicing responsibilities.

In the guarantee line, Farmer Mac purchases the portion of loans that are guaranteed by USDA, thereby accepting the interest rate risk but carrying no default risk. The rural utilities business line involves mostly loans to rural electric cooperatives. The institutional credit portion supports the general obligations of eligible financial institutions, defined as having borrowers and portfolios that are eligible for other Farmer Mac business.

As of September 30, 2020, Farmer Mac's total business volume (similar to assets) was \$22 billion, up 4% in nine months since the end of 2019. The largest share of Farmer Mac's business (nearly half) is in institutional credit, followed by farm and ranch, USDA guarantees, and rural utilities. Its core earnings (that exclude the effects of valuation fluctuations and infrequent or unusual transactions) was \$74 million for the first nine months of 2020, up 7% over the same period in 2019.

Board Members

Congress prescribes a 15-member board of directors (12 U.S.C. § 2279aa-2). Five are presidentially appointed and Senate confirmed, five are elected by stockholders to represent banks and insurance companies, and five are elected by other stockholders to represent the FCS.

Five Presidentially Appointed and Senate Confirmed

For the five presidentially appointed and Senate-confirmed members (**Table 1**), statute does not specify a term length but says that such board members serve at the pleasure of the President. The President names one of the appointees to be chair of the board (12 U.S.C. § 2279aa-2 (a)).

Table I. Presidentially Appointed Members of the Farmer Mac Board of Directors

Name	Description
LaJuana Wilcher	Chair. Confirmed in 2019.
Lowell Junkins	Vice-chair. Confirmed in 1996.
Sara Faivre	Confirmed in 2010.
Myles Watts	Confirmed in 2010.
Charles Stones	Confirmed in 2020.

Source: CRS, using data at Farmermac.com and Congress.gov (accessed January 21, 2021).

The presidential appointees are to represent the general public and may not have been officers or directors of financial institutions. Not more than three may be of the same political party, and at least two shall be farmers or ranchers (12 U.S.C. §2279aa-2 (a)(2)(C)(i)-(iv)).

Nominations for the Farmer Mac board are considered in the Senate to be privileged nominations, making them subject to special procedures that may streamline their consideration (CRS Report R46273, *Consideration of Privileged Nominations in the Senate*).

The current slate of presidential appointees includes LaJuana Wilcher (confirmed in 2019), whom President Trump designated as chair of the board. Lowell Junkins, the

former chair, was named vice-chair in 2019. Other presidentially appointed board members include Sara Faivre (confirmed in 2010), Myles Watts (confirmed in 2010), and Charles Stones (confirmed in 2020).

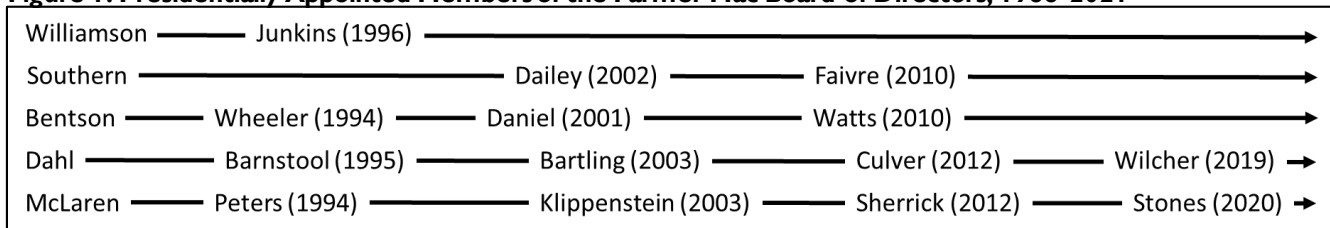
For the statutory requirement that not more than three of the presidential appointees be of the same political party, three are affiliated with the Republican Party (Wilcher, Watts, and Stones) and two with the Democratic Party (Junkins and Faivre).

Figure 1 is a timeline showing the service of the presidentially appointed board members of Farmer Mac since its inception in 1988.

Ten Elected Representing Banks and Farm Credit System

The other 10 members on the Farmer Mac board that represent commercial banks and the FCS are elected to one-year terms by the shareholders of the respective classes of stock (12 U.S.C. §2279aa-2 (a)(5)). They may serve until their successors take office and may be reelected. Statute expresses no other qualifications.

The *Code of Federal Regulations* (12 C.F.R. 651) prescribes a “Code of Business Conduct and Ethics” for Farmer Mac. This code states that the board may recommend to the President that a presidential appointee on the Farmer Mac board be removed if the board determines that the member has violated the code.

Figure 1. Presidentially Appointed Members of the Farmer Mac Board of Directors, 1988-2021

Source: CRS, compiled using data from Senate Agriculture Committee, “Nominations,” and Congress.gov (accessed January 21, 2021).

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