

AG NEW MEXICO, FARM CREDIT SERVICES, ACA
Risk Management Committee Charter
Approved: May 2012
Revised and Approved: April 25, 2019

PURPOSE AND OBJECTIVE

The Board of Directors (the “Board”) of Ag New Mexico, Farm Credit Services, ACA (the “Association”) has established a committee of directors to be known as the Risk Management Committee (the “Committee”), which is accountable and shall report only to the Board of the Association. The Committee shall develop and recommend to the Board oversight processes that will assist the Board in fulfilling its responsibilities related to the Association’s credit and risk management practices. The Committee will review credit and risk management policies consistent with the Association’s credit philosophy and recommend changes from time to time as the risk profile of the Association changes. The Committee will monitor the performance of the loan portfolio through reports provided by Association management and Loan Committee, and, in conjunction with the full Board, take appropriate action if the direction or performance is not consistent with the Association’s business plan.

The Committee shall be provided with such resources as needed to fulfill its responsibilities, including outside consultants, as appropriate.

MEMBERSHIP

The Committee shall consist of at least four Board members, who shall be appointed by the Board on an annual basis, and serve until their successors are duly selected. The Chairperson of the Board, any Board member who is not a member of the Committee, and any Association senior officer or employee invited by the Committee, may participate in a Committee meeting on a non-voting basis. Members of the Committee should have a working knowledge of general business practices, credit risk analysis and collateral evaluation practices.

MEETINGS

The Committee will meet at least quarterly with additional meetings as deemed appropriate. A majority of the voting members of the Committee shall constitute a quorum. The Committee will have access to the Chief Credit Officer, Special Assets Manager and other appropriate Association staff. Depending on the findings of credit reviews, audits, or FCA examinations, the Committee may jointly meet from time to time, but no less frequently than annually, with the Audit Committee.

The Committee can meet in executive session at each meeting to discuss matters it determines should be discussed or decided outside of the presence of Association management, including matters that Farm Credit Administration (“FCA”) regulations may require to be determined in executive session.

MINUTES

Actions taken and/or issues discussed at each meeting will be reported to the full Board. Minutes will be prepared and submitted to the Committee for review and approval. All records of the Committee shall be retained for at least three fiscal years.

SPECIFIC DUTIES

1. Review Association credit and risk management policies at their renewal date or as the situation dictates in the event of new or revised FCA regulations, implementation of new lending initiatives or as a measure to control or reduce overall risk. Approve and recommend to the Board all new or revised credit and risk management policies.
2. Monitor credit risk, credit management performance and portfolio performance through reports generated by the Association lending and special assets functions. In addition to Association generated reports, all audits, internal credit reviews, and examinations of the portfolio will be reviewed by the Committee to determine appropriate action.
3. Monitor management's credit procedures, lending programs and use of delegated lending authority.
4. Review and provide input into the preparation and completion of the Association's stress test(s). Ensure the results are incorporated into the Association's business plan and risk management strategies and procedures.
5. Review compliance with and changes to the Association underwriting standards.
6. Review at least quarterly, all Association hold limits and monitor any exceptions. Review and approve revisions to the hold limits as recommended by management and report to the full Board.
7. Review with management significant credit risk exposures and the steps management has taken to manage those risks including progress towards reducing exposures that do not meet the Association's business plan objectives.
8. Review, at least annually, the economic outlook and forecast for agricultural commodities and industries in which the Association has significant exposure.
9. Review and monitor loans, investments and other property owned that is serviced by the Association's special assets function.
10. Provide input into the scope of the Association internal credit and appraisal reviews and coordinate with the Audit Committee a joint exit conference with the third-party completing the reviews.
11. Review management's methodology for establishing the allowance for loan loss. Coordinate

with the Audit Committee and jointly determine that the allowance methodology is consistent with FCA regulations, bank guidelines, generally accepted accounting principles and Association policies and procedures.

12. Monitor management's action steps to ensure compliance with lending regulations, including those promulgated by FCA, the Consumer Financial Protection Bureau or other regulators, as applicable.
13. Review the type and quality of reporting to the Board to ensure the Board is advised of any matters of significance related to credit and risk management.
14. ~~In coordination with the Governance Committee,~~ Conduct an annual self-assessment evaluation of the Committee's performance, the adequacy and relevance of this charter and recommend any proposed changes to the ~~Governance Committee~~Board for ~~their~~its review and subsequent ~~Board~~ approval.
15. Monitor Association director loans and report to the Board when appropriate.
16. Perform any other duties as requested by the Board.