

Modernization in Agricultural Finance

What is the Farm Credit System?

The Farm Credit System (FCS) plays a vital role in supporting the financial stability and growth of rural America. As a government-sponsored enterprise (GSE), the system provides reliable and consistent access to credit for farmers, ranchers, agribusinesses, and rural infrastructure providers, *particularly in areas underserved by traditional lenders*. The system is a network of federally chartered cooperatives that is owned by the customers it serves.



Modernization Gap in Agricultural Finance

Agricultural operators have rapidly embraced technological innovations and incorporated them into every step of their operations. Precision agricultural tools, GPS-guided equipment, automation in machinery and robotics, satellite imagery, and drone-based field monitoring are just a few of the cutting-edge advancements that have become integral to modern agriculture.

However, agricultural finance has not kept up with the times. Many FCS institutions continue to rely on outdated back-office systems and processes. Data resides across numerous disjointed systems. Manual documents and data entry are commonplace; consequently, there is limited use of automated workflows. With multiple key-person dependencies and an aging workforce, the industry risks losing institutional knowledge, which will only exacerbate these modernization issues.

The lack of modernization significantly impacts the Farm Credit System, creating a cascading effect in which inefficiency increases costs to both the business and the borrower. The reliance on manual processes means decision-making takes longer than necessary, resulting in delays in approvals and funding. Lenders are unable to update systems quickly to offer new loan products or to address underserved markets. Risk analysis capabilities are limited as data resides across numerous systems and needs to be consolidated, scrubbed, and rationalized to feed the models. Loan operations are not scalable without adding headcount and other associated costs. Industry-wide innovation and best-practice adoption are hindered by outdated technologies, which limit transparency and collaboration between counterparties. All these impacts result in a higher cost of credit to both the borrowers and lenders, increasing costs in an already low-margin business.

Following the Residential Innovation Model

Over the past two decades, the residential mortgage industry has seen significant modernization. These advancements have reduced costs, improved loan quality, accelerated cycle times, and enhanced borrower experience across the life of the loan.

By applying proven modernization strategies from the residential sector, Farm Credit Institutions can begin to realize the same benefits, enabling the reinvestment of capital into the rural communities they serve.

AREA OF MODERNIZATION	RESIDENTIAL MORTGAGE INDUSTRY	FARM CREDIT SYSTEM OPPORTUNITY
Technology Adoption	Automated platforms, cloud migration	Deploy modern tools, provide borrower portals for rural/ag customers
Process Automation	Automated underwriting, straight-through processing, servicing automation, secondary market pooling automation	Automate loan intake, credit analysis, servicing workflows, and secondary market functions (where applicable)
Robust Data Standards	MISMO-driven ULDD, UCD, and UAD ensuring consistent, interoperable loan data	Develop and adopt MISMO-style ag finance data standards to enable integration and reporting across the ecosystem
eMortgage	eNotes, eVaults, Remote Online Notarization (RON), hybrid closings	Introduce eNote acceptance, secure eVault storage, and enable RON/hybrid closings to streamline closing processes
Borrower Self-Service Platforms	Online status tracking, document upload, and payment tools	Build borrower portals for application tracking, document submission, and payment management
Advanced Analytics & AI	Machine learning for underwriting, fraud detection, valuation, and portfolio monitoring	Apply AI/analytics to assess farm credit risk, optimize pricing, and improve loan performance monitoring
API-Driven Integrations	Real-time connectivity between origination, servicing, secondary market, and compliance systems	Create API connections between lending, servicing, accounting, and regulatory systems for seamless data flow
Regulatory Compliance Automation	Rules engines for TRID, HMDA, fair lending, and investor delivery	Automate compliance checks for farm credit-specific regulations and investor/lender reporting requirements
Secondary Market Optimization	Automated pooling and delivery to GSEs through platforms like CSP	Streamline secondary market transactions for eligible ag loans, enabling quicker settlement and better pricing
Servicing Modernization	Digital borrower communication, automated escrow analysis, and self-service loss mitigation tools	Implement digital communications, payment flexibility, and automated servicing functions for ag loan portfolios

FCA's Priority for Technology Innovation

The Farm Credit Administration's (FCA) 2025 strategic priorities highlight that for the Farm Credit System to remain strong, it must embrace modernization. In outlining these priorities, FCA Board Chairman and CEO Jeffery S. Hall emphasized that stability and mission alone are no longer sufficient. The System must advance its financial and operational foundation to be in step with today's technological and market realities.

Conclusion

The Farm Credit System is ready for modernization, and now is the time to act. Other lending sectors have already shown the benefits of embracing change, and Farm Credit can do the same. It is time to move forward with confidence. With our decades of experience in the residential and commercial mortgage space, Actualize Consulting is ready to help institutions turn FCA's priorities into practical steps that strengthen the System and the rural communities it serves. Technological change provides the opportunity to reshape agricultural lending, creating both challenges and opportunities for growth.



Who is Actualize?

Actualize Consulting, LLC is a management consulting firm specializing in business and technology transformation for financial services, with expertise across mortgage, capital markets, and fixed income. Since 2003, we have partnered with leading lenders, GSEs, federal agencies, and investors to streamline operations, improve compliance, and implement technology solutions that deliver measurable results.

Our consultants are life-of-loan experts who bring deep industry knowledge and proven IT capabilities to help clients modernize processes and strengthen governance. We are a certified small business, debt-free, ISO 9001:2015 certified, and CMMI Level 3 appraised, with offices across North America, London, and Latin America.

We have worked extensively with Farmer Mac, USDA rural lending programs, federal loan guarantee initiatives, and other participants across the rural and agricultural finance space. This experience allows us to connect modernization strategies from the broader mortgage and capital markets sectors to the unique needs of Farm Credit institutions.

For Farm Credit institutions, the opportunity is clear. Modernization builds resilience, improves efficiency, and ensures the mission to serve rural America continues to thrive. Actualize Consulting is ready to help translate FCA's priorities into practical strategies that deliver long-term success.

Agricultural Finance Article Series

This paper is the beginning of Actualize Consulting's Farm Credit Analysis and Ag Finance Modernization Series. In the coming articles, we will examine:

- How data standardization improves efficiency and transparency
- How system modernization reduces manual work and enables the use of tools like artificial intelligence
- How innovation leads directly to greater affordability and access to credit in rural communities

Drawing on our experience in residential and commercial finance, we will connect proven modernization strategies to the unique needs of agricultural lending. Our goal is to highlight the opportunities ahead and show how the Farm Credit System can modernize while staying true to its mission of serving rural America.