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October 23, 2014

Mr. Barry F. Murdock
Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Re: RIN 3052-AC84 – Funding and Fiscal Affairs, Loan Policies and Operations, and Funding Operations, Investment Eligibility – Federal Register Number 2014-17493 (July 25, 2014).

Dear Deputy Director Murdock:

The First State Bank would like to take this opportunity to comment on the above-styled Farm Credit Administration proposal. First, and most importantly, we believe any amendment to investment or lending authority like the Administration is pursuing here should proceed through actions by Congress as opposed to being accomplished by a regulatory body.

The proposed rule issued by the Farm Credit Administration (FCA) seeks to significantly expand investments held by Farm Credit Banks (FCBs) and Farm Credit Associations (Associations) under the guise of a required review of regulations under section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

Section 939A merely requires agencies to review regulations that utilize credit ratings and substitute other appropriate standards for review. This proposed rule goes far beyond that required review and rewrites investment eligibility for Farm Credit System (FCS) institutions.

We notice this proposal is similar to what was proposed in 2005. This pilot program was discontinued in later years and now it appears the FCA is seeking to codify a program that failed. We have to question why the FCA would undertake this project again. In our opinion, FCBs do not have the same level of examination or compliance requirements, and therefore, by definition, sophistication to engage in these types of investments and lending which we are seeing in FCB's system.

This proposal is eerily similar to the Federal Housing Finance Agency's recent attempt to change rules and laws established by Congress. The First State Bank is currently considering our response to that proposal, the comments for which must be submitted by January 12, 2015. Our initial thoughts on both of these proposals is that they should be withdrawn until there is a clear and compelling reason to make changes and provide Congress the opportunity to thoroughly consider the ramifications of what is being proposed.

Sincerely,

Edwin Hawes Dickerson
Loan Officer

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