Patrick Mooney
General Manager

October 14, 2014

Mr. Barry Mardock
Deputy Director, Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090

Re: Proposed Rule Revising Capital Requirements for Farm Credit System Institutions

Dear Mr. Mardock,

We appreciate the opportunity to offer comments regarding the Farm Credit Administration's proposed rule revising capital requirements for Farm Credit System institutions. Specifically, we wish to address whether the Agency should retain the current risk weighting for exposures to certain electrical cooperative assets. We believe the Agency should continue its traditional risk weighting methodology for loans made by Farm Credit System institutions to rural electric cooperatives.

Since 2007 the FCA has "determined that exposures to certain loans, leases, participation interests, and debt securities (Assets) of the electric cooperative industry warrant a lower regulatory capital risk weight." We strongly support the FCA's decision on this matter and encourage the Agency to maintain that position in its new capital regulation.

The rural electric cooperative industry is strong and serves a vital mission in rural communities. The availability of and cost of credit to rural electric cooperatives is critical to our ability to continue to fulfill our mission and serve our customers. We are very concerned that a decision to raise the risk weighting of loans made to electric cooperatives by FCS institutions would unnecessarily hurt credit availability to the industry and drive up the borrowing costs of cooperatives, which ultimately would hurt rural electric rate payers.

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The FCA's 2007 decision acknowledged the "unique characteristics and lower risk profile" of the electric cooperative industry and noted that this "lower risk profile is supported, in part, by the financial strength and stability of the underlying member systems, the ability to establish user rates with limited third-party oversight, and the exclusive service territories encompassing rural America -- all of which insulate the electric cooperative industry from many of the credit-related risks experienced by investor-owned utilities." The Agency also referred to the industry's minimal loss history and its sound credit ratings as further justification.

The original rationale for 50% risk weighting remains valid today and the current risk weighing approach continues to be important to the success of rural communities served by rural electric cooperatives. America's rural electric cooperatives continue to hold exclusive service territories and generally are rate-regulated through their elected boards of directors, not state agencies. There is every reason to expect that rural electric cooperatives will remain financially sound.

Thank you for considering our comment on this important matter.

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